

TWO RIVERS WATER RECLAMATION AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED OCTOBER 31, 2023 AND 2022

**TWO RIVERS WATER RECLAMATION AUTHORITY
YEARS ENDED OCTOBER 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Management and Commissioners of Two Rivers Water Reclamation Authority Monmouth Beach, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Two Rivers Water Reclamation Authority, Monmouth Beach, New Jersey (the "Authority"), as of and for the years ended October 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of October 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the requirements of the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the requirements of the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, schedule of the Authority's proportionate share of the net pension liability – PERS, schedule of the Authority's pension contributions – PERS, schedule of the Authority's net OPEB liability – State Health Benefits Local Government Retired Employees Plan and schedule of the Authority's OPEB contributions – State Health Benefits Local Government Retired Employees Plan, as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and are also not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2, U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials, insurance coverage, project activity schedule and general comments and recommendations but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Cranford, New Jersey

October 7, 2024

Required Supplementary Information – Part I

Management's Discussion and Analysis

TWO RIVERS WATER RECLAMATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

This section presents management's discussion and analysis of the Authority's financial condition and activities for the years ended October 31, 2023 and 2022.

This information should be read in conjunction with the basic financial statements and accompanying notes to the basic financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current fiscal year and the prior two fiscal years are presented in the MD&A as required by GASB Statement No. 34.

Discussion of Financial Statements Included in Annual Audit

The Authority prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements which consist of the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Net Position, and the Comparative Statement of Cash Flows are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). These statements are the official basic financial statements of the Two Rivers Water Reclamation Authority.

After the first set of statements and the "Notes to the Basic Financial Statements" that follow is the second set of schedules. These schedules are considered "Supplementary Information."

The Authority has historically presented its financial statements on a "GAAP Basis," and continues to do so because it relates more fairly to the annual budget for the same period.

Contained in the supplementary information are schedules that report the Comparative Schedule of Revenues and Expenses Compared to Budget (Schedule V). This schedule compares the "Budget" revenues and expenses to "Actual" revenues and expenses. Principal and interest are reported in this statement as debt service expense, and depreciation is not reported as an expense. On the "GAAP" based statements, depreciation expense is included, and only the interest expense component of the debt service expense is reported.

The Budget to Actual schedule is a very important schedule to the Authority management staff, because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

Other Supplementary information or schedules incorporated within the annual audit report are the Schedule of Long-Term Revenue Bonds Payable and the Analysis of Capital Projects.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the financial statements of the Two Rivers Water Reclamation Authority, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to proprietary funds of state and local governments. This is the first set of statements included in the annual audit report.

Financial Condition

The Authority’s financial condition remained strong at year end, as depicted by the financial data which follows.

Comparative Statement of Net Position

The Authority’s total assets and deferred outflows of resources increased by \$11,684,713 due to increases in net capital assets. Total liabilities and deferred inflows of resources decreased by \$1,074,286 due mainly to a decrease in reserve for developers’ deposits offset by an increase in accounts payable, the construction loan payable and bonds payable. Assets and deferred outflows exceeded liabilities and deferred inflows by \$85,649,380. This compares to 2022 where assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$72,890,381.

The Authority’s Net Position of \$85,649,380 is comprised of the following:

- Net investment in capital assets of \$83,442,577, as shown below, includes land, construction in progress and property, plant and equipment, net of accumulated depreciation, and net of long-term debt related to the purchase or construction of capital assets. Net investment in capital assets increased by \$14,615,006 from the prior year.

Capital Assets - Net	\$ 87,425,719
Add:	
NJIB Loan Drawdown Receivable	3,442,138
Less:	
Construction Loan - NJIB	(3,442,138)
Revenue Bonds Payable, Net of Unamortized Premium	(3,983,142)
Net Investment in Capital Assets	<u>\$ 83,442,577</u>

- Net position of \$1,500,000 is restricted for the purpose of Renewal and Replacement.
- Net position of \$190,000 is restricted for a Shrewsbury River Dredging Project.
- Net position of \$100,000 is restricted for debt service reserve related to the 2016 revenue bonds.
- Net position of \$400,000 is unrestricted - designated for future collection system improvements.
- Net position of \$3,000,000 is unrestricted - designated for rate stabilization.
- Unrestricted, undesignated net position (deficit) of \$(2,983,197) represents the portion available to maintain the Authority’s continuing obligations to the contractual customers of its service area, its creditors and for its current liabilities.

Unrestricted undesignated deficit net position decreased by \$1,856,007 mainly due to the change in net position, of \$12,758,999 offset by the increase in the net investment in capital assets of \$14,615,006.

	2023	2022	2021	Increase (Decrease) 2023 to 2022	Increase (Decrease) 2022 to 2021
Total current assets	\$ 7,875,687	\$ 4,700,512	\$ 5,705,839	67.55%	-17.62%
Total restricted assets	21,352,491	28,746,175	20,259,148	-25.72%	41.89%
Capital assets, net	87,425,719	73,156,695	71,255,609	19.50%	2.67%
Deferred outflows of resources	4,261,873	2,627,675	2,752,217	62.19%	-4.53%
Total Assets and Deferred Outflows of Resources	\$ 120,915,770	\$ 109,231,057	\$ 99,972,813	10.70%	9.26%
Total current liabilities payable from unrestricted assets	\$ 6,244,923	\$ 3,384,591	\$ 3,232,610	84.51%	4.70%
Total current liabilities payable from restricted assets	5,621,502	11,141,171	5,763,682	-49.54%	93.30%
Unemployment claims reserve	64,055	64,055	64,055	0.00%	0.00%
Compensated absences payable	334,611	333,617	316,715	0.30%	5.34%
Net pension liability	5,713,327	5,813,561	4,572,315	-1.72%	27.15%
Long term net OPEB liability	7,897,961	7,031,018	8,451,060	12.33%	-16.80%
Long term obligations, net	3,317,473	2,240,583	2,484,361	48.06%	-9.81%
Deferred inflows of resources	6,072,538	6,332,080	7,481,036	-4.10%	-15.36%
Total Liabilities and Deferred Inflows of Resources	\$ 35,266,390	\$ 36,340,676	\$ 32,365,834	-2.96%	12.28%
Total Net Position	\$ 85,649,380	\$ 72,890,381	\$ 67,606,979	17.50%	7.81%

Total current assets have increased mainly because of the increases in current unrestricted cash and federal accounts receivable, offset by a decrease in sewer billings receivable.

Total restricted assets have decreased because of the decreases in cash and cash equivalents and investments as the funds are spent on the specified purposes.

Capital assets, net increased because capital asset acquisitions exceeded depreciation expense.

Total current liabilities payable from unrestricted assets have increased because of an increase in accounts payable.

Total current liabilities payable from restricted assets have decreased due to the decrease in reserve for developers' deposits offset by an increase in the construction loan payable to the New Jersey Infrastructure Bank.

Long-term bonds payable increased due to the issuance of new revenue bonds totaling \$1,817,361 offset by the repayment of revenue bond principal.

The net pension liability decreased and related deferred outflows and inflows of resources decreased due to the requirements of GASB Statement Nos. 68 and 71.

The current and long term net OPEB liability increased and related deferred outflows and inflows of resources increased due to the requirements of GASB Statement No. 75.

Comparative Condensed Statements of Revenues, Expenses and Changes in Net Position

Operating revenues from customer municipalities increased by \$365,724 or 5.75% while operating revenues from participating municipalities decreased by \$117,642 or 1.89%. Total operating revenues increased by \$248,082 or 1.97% from 2022 levels.

Total operating expenses were higher in 2023 than 2022, mainly due to increases across the board except for lines and systems pumping station expenses. Total operating revenues less total operating expenses produced operating income of \$128,946, which is less than 2022 operating income of \$562,492.

Total Net Position increased over the last three years as depicted below.

	2023	2022	2021	Increase (Decrease) 2023 to 2022	Increase (Decrease) 2022 to 2021
Total operating revenues	\$ 12,826,968	\$ 12,578,886	\$ 12,659,972	1.97%	-0.64%
Operating expenses	8,866,121	8,383,555	7,486,581	5.76%	11.98%
Depreciation	3,831,901	3,632,839	3,385,823	5.48%	7.30%
Total operating expenses	<u>12,698,022</u>	<u>12,016,394</u>	<u>10,872,404</u>	5.67%	10.52%
Operating income	128,946	562,492	1,787,568	-77.08%	-68.53%
Nonoperating revenues (expenses), net	<u>12,630,053</u>	<u>4,720,910</u>	<u>1,267,613</u>	167.53%	272.43%
Change in Net Position	12,758,999	5,283,402	3,055,181	141.49%	72.93%
Total net position - beginning	<u>72,890,381</u>	<u>67,606,979</u>	<u>64,551,798</u>	7.81%	4.73%
Total net position - ending	<u>\$ 85,649,380</u>	<u>\$ 72,890,381</u>	<u>\$ 67,606,979</u>	17.50%	7.81%

Comparative Statements of Cash Flows

The net decrease in cash and cash equivalents was \$6,302,889 in 2023. This compares to a net increase in cash and cash equivalents in 2022 of \$13,627,292. The main reason for the 2023 decrease in cash is due to the net cash used by capital and related financing activities offset with net cash provided by operating activities.

Debt Administration

As of October 31, 2023, the Authority had \$18,320,369 of long-term liabilities. Of this amount, \$334,611 is for compensated absences, \$64,055 is for an unemployment claims reserve, \$3,890,595 is for revenue bonds payable, \$92,547 represents unamortized bond premiums, \$8,225,234 is for the net OPEB liability and \$5,713,327 relates to the net pension liability. As of October 31, 2022, the Authority had \$15,991,013 of long-term liabilities.

It is the current policy of the Two Rivers Water Reclamation Authority Board Members, Executive Director, and senior staff, that funding for capital improvements, additions or replacements, is to be accomplished using one or more of the following methods:

- Borrowings from the New Jersey Infrastructure Bank for qualified projects.
- Traditional revenue bond issuance.
- Funding incrementally or annually from annual operating budget.

Refunding of existing public debt is routinely reviewed, analyzed and recommended when appropriate. The Authority has defeased various bond issues and achieved significant debt service savings. Early redemptions of bonds outstanding have occurred in previous years. There were no Revenue Bonds issued this year. A temporary construction loan from the New Jersey Infrastructure Bank was issued to the Authority in 2020 to fund the construction of a new main pump station. This construction loan was paid off in the 2022 fiscal year. A second temporary construction loan from the New Jersey Infrastructure Bank was issued in 2021 to fund the construction of major interceptor and pump station improvements and was converted to the 2022A Series Bonds long-term financing in the amount of \$1,817,361 in the 2023 fiscal year. The Authority issued an additional, low interest rate construction loan in fiscal year 2023 to fund the construction of the new main pump station. See Note 4 to the basic financial statements for additional information.

Capital Assets

As of October 31, 2023 and 2022, the Authority had \$87,425,719 and \$73,156,695 respectively, invested in land, construction in progress, buildings and improvements, other improvements, sewer mains and interceptors, pump stations, other equipment and vehicles, net of accumulated depreciation. The increase in net capital assets is due to the current year's depreciation being less than capital assets additions. See Note 3 to the basic financial statements for additional information.

Core Competencies

The Authority provides wastewater conveyance and treatment services under contracts with participant municipalities and six customer municipalities.

The System consists of a wastewater treatment plant, a wastewater collection system of approximately 230 miles of gravity interceptor and force mains, 19 pumping stations and an ocean outfall line discharging into the Atlantic Ocean through a diffuser system.

The wastewater treatment plant provides primary and secondary wastewater treatment and is situated on about 25 acres located on Raccoon Island in Monmouth Beach, NJ.

The treatment plant has a designed capacity of 13.83 million gallons per day. The plant is designed to serve the projected treatment needs of the service area based on current zoning ordinances.

The Two Rivers Water Reclamation Authority owns and operates the regional piping and pumping systems that receive, meter, and transport the municipal wastewater to the Authority's Regional Plant on Raccoon Island for treatment and discharge. It also owns and operates the collection system in the six participant communities.

The user fees charged to the users of the system of the six participating municipalities, Monmouth Park and the former Fort Monmouth area are major sources of revenue for the Authority as are the revenues from the Customer Municipalities' charges paid by the six customer communities. These revenues are shown on the Comparative Statement of Revenues, Expenses and Changes in Fund Net Position as "Customer Municipalities – Annual Charges and Participating Municipalities – Service Charges" and both are reported as operating revenue.

Budget Variations

There were no adjustments made during the year to the adopted 2023 budget. Total revenues were more than budgeted by \$1,793,555 mostly due to revenues from customer municipalities and interest on investments being higher than expected. Total operating expenses exceeded the budget by \$451,659, but were offset by other costs funded by operating activities being less than what was budgeted. Total expenses were less than budgeted by \$527,148.

The Chairman's Outlook for the Future

“Our mission for the Two Rivers Water Reclamation Authority is to provide the ultimate wastewater collection and water reclamation system. Always responsive to the customers' needs and the growing community, in compliance with the applicable laws, rules and regulations, Two Rivers Water Reclamation Authority will continue to set and exceed the standards for the protection of the environment, while operating the most efficient system and maintaining a cost effective budget.”

As the mission reads, this is who and what the Authority is accountable to. The Authority's accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. This means the Authority is accountable to its customers, the agencies and people served using the same principals: cost effective, efficient, reliable and protective. This is what the employees of the Authority strive for each and every day. And each and every day, the Authority is accountable to its employees.

As an environmental utility, the Authority is also guided by or accountable to state government and the applicable rules and regulations that govern the Two Rivers Water Reclamation Authority. More specifically, the Authority is accountable to the Department of Community Affairs, Division of Local Government Services and the Department of Environmental Protection. As an environmental utility, the Authority is accountable to the U.S Environmental Protection Agency. The Authority is also accountable to the governing body of the Authority, the Two Rivers Water Reclamation Authority Board of Directors, and as such, accountable to certain government officials.

Governing Body

The governing body of the Authority consists of a 12 member board that is appointed for five-year terms by the participant communities they represent. Currently, they are:

Barry J. Berdahl, Ph. D., Chairman
Thomas B. Barham, Vice Chairman
Michael A. MacStudy, Treasurer
Scott Hartman, Secretary
Richard N. Tocci, Assistant Treasurer
Jonathan Peters, Assistant Secretary
John Bonforte, Member
Gregory J. Christopher, Member
Eric R. Jaeger, Member
Jeanette Hoffman, Member
Brian McPeak, Member
James Mazza, Member

Management of the Authority

The Executive Director of the Two Rivers Water Reclamation Authority, Michael A. Gianforte, manages the daily operations of the Authority. He oversees a staff of 35 and a 2023 budget of \$12.4 million. Senior staff is charged with the management of the operations and financial affairs of the Authority. The Executive Director and senior staff are as follows:

Michael A. Gianforte, Executive Director
Johnny Rodriguez, Jr., Financial Manager
Brian Rishman, Engineering Manager
Dennis J. Galvin, Capital Projects Coordinator

Independent Auditors

The Independent audit firm is PKF O'Connor Davies, LLP, Cranford, New Jersey.

Financial Information

Prior audits and budgets can be obtained by contacting the Two Rivers Water Reclamation Authority or by visiting the Authority's website at www.trwra.org.

Basic Financial Section

**TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
OCTOBER 31, 2023 AND 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
CURRENT ASSETS		
Cash	\$ 4,201,165	\$ 1,370,589
Inventory	45,631	45,414
Sewer Billings Receivable	2,132,193	2,906,180
Intergovernmental Accounts Receivable - Federal	1,496,698	378,329
Total Current Assets	7,875,687	4,700,512
RESTRICTED ASSETS		
Revenue fund - Unemployment cash and cash equivalents	101,276	98,418
Escrow deposits: Cash and cash equivalents	3,848,684	9,345,467
Member Town deposits: Cash and cash equivalents	19,375	-
Bond service account: Cash and cash equivalents	5,684	28,609
Bond reserve account: Cash and cash equivalents	422,659	100,003
General account: Cash and cash equivalents	11,703,091	10,437,518
General account: Investments	222,846	1,899,841
General account: Accrued Interest Receivable	-	25,362
Construction account: Cash and cash equivalents	40,814	5,300,143
Construction account: NJIB Drawdown Receivable	3,442,138	-
Renewal and replacement account: Cash and cash equivalents	1,545,924	1,510,814
Total Restricted Assets	21,352,491	28,746,175
NONCURRENT ASSETS		
Capital Assets - Non-depreciable	23,943,923	11,336,079
Capital Assets - Net of depreciation	63,481,796	61,820,616
Total Noncurrent Assets	87,425,719	73,156,695
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	403,879	550,077
OPEB deferrals	3,857,994	2,077,598
Total Deferred Outflows of Resources	4,261,873	2,627,675
Total Assets and Deferred Outflows of Resources	\$ 120,915,770	\$ 109,231,057

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
OCTOBER 31, 2023 AND 2022

	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,632,269	\$ 1,770,070
Accrued Expenses	206,187	254,503
Customer Overpayments	107,336	98,841
Unearned Revenue	971,858	996,777
Net OPEB Liability - Current Portion	327,273	264,400
Total Current Liabilities payable from Unrestricted Assets	6,244,923	3,384,591
Reserve for Developers' Deposits	1,494,526	9,028,914
Accrued Interest on Bonds Payable	19,169	23,716
NJIB Temporary Construction Loan	3,442,138	1,844,762
Revenue Bonds Payable - Current Portion	665,669	243,779
Total Current Liabilities payable from Restricted Assets	5,621,502	11,141,171
NONCURRENT LIABILITIES		
Net Pension Liability	5,713,327	5,813,561
Long-term Net OPEB Liability	7,897,961	7,031,018
Long-term Revenue Bonds Payable, net	3,317,473	2,240,583
Unemployment Claims Reserve	64,055	64,055
Compensated Absences Payable	334,611	333,617
Total Noncurrent Liabilities	17,327,427	15,482,834
Total Liabilities	29,193,852	30,008,596
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	517,880	1,128,507
OPEB deferrals	5,554,658	5,203,573
Total Deferred Inflows of Resources	6,072,538	6,332,080
NET POSITION		
Net Investment in Capital Assets	83,442,577	68,827,571
Restricted for:		
Debt Service	100,000	100,000
Renewal and Replacement	1,500,000	1,500,000
Dredging Project - Shrewsbury River	190,000	190,000
Unrestricted:		
Designated for:		
Collection System Improvements	400,000	400,000
Rate Stabilization	3,000,000	3,000,000
Undesignated (Deficit)	(2,983,197)	(1,127,190)
Total Net Position	85,649,380	72,890,381
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 120,915,770	\$ 109,231,057

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED OCTOBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Customer Municipalities - Annual Charges	\$ 6,721,922	\$ 6,356,198
Participating Municipalities - Service Charges	6,105,046	6,222,688
Total Operating Revenues	12,826,968	12,578,886
OPERATING EXPENSES		
Administration and General	1,347,591	1,033,387
Treatment Plant and Main Pumping Station	6,097,301	5,604,428
Lines and System Pumping Stations	1,421,229	1,745,740
Depreciation	3,831,901	3,632,839
Total Operating Expenses	12,698,022	12,016,394
NET OPERATING INCOME	128,946	562,492
NONOPERATING REVENUES/(EXPENSES)		
Interest on Bonds	(66,310)	(72,231)
Interest Income	968,795	102,611
Federal Grants	11,204,984	4,452,598
State Appropriation	164,992	-
Connection Fees	402,402	205,921
Bond Issuance Costs	(65,795)	-
Miscellaneous Income	20,985	32,011
Total Nonoperating Revenues/(Expenses)	12,630,053	4,720,910
CHANGES IN NET POSITION	12,758,999	5,283,402
Net Position - Beginning of Year	72,890,381	67,606,979
NET POSITION - END OF YEAR	\$ 85,649,380	\$ 72,890,381

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members and Customers	\$ 13,600,738	\$ 11,793,307
Payments to Employees	(5,809,353)	(5,856,386)
Payments to Suppliers	(1,322,473)	(3,561,496)
Net Cash Provided by Operating Activities	6,468,912	2,375,425
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(18,100,925)	(5,533,925)
Proceeds from Loan Issuance, Net Loan Issuance Costs	1,822,770	911,591
Federal Grants	10,086,615	5,446,550
State Appropriation	164,992	-
Repayment of Revenue Bonds Payable	(371,766)	(235,000)
Repayment of NJIB Temporary Construction Loan	(1,844,762)	(4,095,199)
Developer's Escrow Funds (Utilized or Returned)/Received	(7,534,388)	8,960,840
Net Cash (Used)/Provided by Capital and Related Financing Activities	(15,777,464)	5,454,857
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	994,157	92,874
Interest Paid on Revenue Bonds	(88,876)	(76,009)
(Purchase) of Investment Securities	-	(1,677,000)
Redemption of Investment Securities	1,676,995	7,166,688
Net Cash Provided by Investing Activities	2,582,276	5,506,553
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Connection Fees	402,402	205,921
Miscellaneous Income	20,985	84,536
Net Cash Provided by Noncapital Financing Activities	423,387	290,457
NET (DECREASE)/INCREASE IN CASH	(6,302,889)	13,627,292
Cash - Beginning of Year	28,191,561	14,564,269
CASH - END OF YEAR	\$ 21,888,672	\$ 28,191,561

See accompanying notes to financial statements.

**TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	2023	2022
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 128,946	\$ 562,492
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,831,901	3,632,839
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Decrease/(Increase) in Receivables and Other Assets - Unrestricted	773,770	(785,579)
Increase in Current Liabilities - Payable from Unrestricted Assets	2,758,678	98,223
Increase/(Decrease) in Other Liabilities and Deferrals:		
Other Liabilities	(15,430)	33,561
Accounts Payable - Pension	55,205	18,953
Net Pension Liability	(100,234)	1,241,246
Net OPEB Liability	929,816	(1,401,896)
Deferred Outflow - Pension Deferrals	146,198	(56,987)
Deferred Outflow - OPEB Deferrals	(1,780,396)	181,529
Deferred Inflow - Pension Deferrals	(610,627)	(2,016,100)
Deferred Inflow - OPEB Deferrals	351,085	867,144
Net Cash Provided by Operating Activities	\$ 6,468,912	\$ 2,375,425
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted Cash and Cash Equivalents	\$ 4,201,165	\$ 1,370,589
Restricted Cash and Cash Equivalents	17,687,507	26,820,972
	\$ 21,888,672	\$ 28,191,561

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

1. Summary of Significant Accounting Policies

The financial statements of the Board of Commissioners (“Board”) of the Two Rivers Water Reclamation Authority (“Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

A. Reporting Entity:

The Two Rivers Water Reclamation Authority in Monmouth County, New Jersey is a public body politic and corporate of the State of New Jersey, created by virtue of ordinances of the Boroughs of Fair Haven, Little Silver, Monmouth Beach, Oceanport, Shrewsbury and West Long Branch (collectively, the “Member Towns”) on October 1, 1965, pursuant to the Sewerage Authority Law of the State of New Jersey (P.L. 1946, Chapter 138 as amended and supplemented). The Authority functions independently through a Board of Commissioners. The Board is comprised of twelve members appointed to five-year terms. The purpose of the Authority is to keep the local waters free of pollution.

The Authority, as the primary government for financial reporting purposes, has oversight responsibility and control over all activities related to the Two Rivers Water Reclamation Authority. The Authority receives funding from federal government sources and must comply with requirements of these funding source entities.

The Authority has no component units that are required to be included within the reporting entity as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. Basis of Presentation, Basis of Accounting:

Basis of Presentation

The operations of the Authority are accounted for as a proprietary fund. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to proprietary funds as defined by the Governmental Accounting Standards Board (GASB). All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets, deferred outflows of resources and all liabilities and deferred inflows of resources, whether current or non-current, associated with their activity are included on the Comparative Statement of Net Position. Their reported fund equity (net position) is segregated into net investment in capital assets and restricted and unrestricted net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Depreciation of all exhaustive capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund Comparative Statement of

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation, Basis of Accounting - (Continued):

Net Position as an offset to capital assets-net of depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

C. Assets, Liabilities and Net Position:

Cash and Cash Equivalents:

Amounts include petty cash and change funds, interest-bearing checking accounts and short-term investments with an original maturity date of three months or less from the date of purchase, carried at cost, which equals fair value.

Investments:

Investments include a Certificate of Deposit, Bond Anticipation Notes, and United States Treasury Bills. Investments are carried at fair value and have a maturity date of more than three months.

Accounts Receivable:

User charges are established by the Board annually. The charges are subject to adjustment by the Board and a public hearing must be advertised and held prior to adjustment. The Authority has not raised rates since 2003. Receivables are evaluated periodically for collectability. Unpaid user charges are reported to the municipality where the user resides and referred for inclusion in annual tax sales. Allowances for doubtful accounts are established when deemed necessary. No allowances were deemed necessary or established at October 31, 2023 or 2022, respectively.

Inventories:

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At October 31, 2023 and 2022, the value of the inventory, not held for resale, consisting of diesel fuel on hand, was \$45,631 and \$45,414, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (Continued)

C. Assets, Liabilities and Net Position - (Continued)

Capital Assets - (Continued):

Capital assets, which include land, property, plant, equipment and construction in progress, are reported in the financial statements. The Authority has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at acquisition value at the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. The capitalization threshold used by Authorities in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-75
Pump Stations	5-40
Mains and Interceptors	5-75
Vehicles	5-10
Other Improvements	10-75
Other Equipment	5-20

Unearned Revenue:

Unearned revenue represents billings for system use which have been issued but not yet earned, due to the timing difference between the calendar year billing cycle and the Authority's fiscal year end of October 31 and cash received in the current fiscal year which benefits the subsequent fiscal year.

Net Position:

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position - net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Designations of unrestricted net position are imposed by action of the Authority's Board.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (Continued)

D. Revenues, Operating Revenues and Expenses:

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the accrual basis, revenue from system user charges is recognized in the fiscal year for which the user fees are levied.

Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. These operating revenues are for the collection and treatment of wastewater. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Authority.

Nonoperating Revenues and Expenses:

Nonoperating revenues are those revenues that are generated indirectly from the primary activity of the Authority. These nonoperating revenues are from connection fees, federal grants, interest income and other miscellaneous sources. Nonoperating expenses are costs incurred that are not directly related to the current year's primary activity of the Authority such as interest on revenue bonds outstanding.

E. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Adopted and Upcoming Pronouncements

Recently Adopted Pronouncements

The GASB issued Statement No. 87, "*Leases*" in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement became effective for the Authority's October 31, 2022 financial statements. Management has evaluated the impact of this GASB Statement on the financial statements and determined it did not have a material impact on the Authority's financial statements.

The GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*" in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (Continued)

F. Adopted and Upcoming Pronouncements – (Continued)

The requirements of this Statement became effective for the Authority's October 31, 2023 financial statements. Management has evaluated the impact of this GASB Statement on the financial statements and determined it did not have a material impact on the Authority's financial statements.

Upcoming Pronouncements

The GASB issued Statement No. 99, "*Omnibus 2022*" in April 2022. This Statement provides guidance on the requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 which are effective immediately upon issuance. Additionally, the Statement provides guidance related to leases, PPPs, and SBITAs which are effective for periods beginning after June 15, 2022. Lastly, the Statement provides guidance related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 which is effective for periods beginning after June 15, 2023. Management has not yet determined the impact of this Statement on the financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. Earlier application is encouraged. Management has not yet determined the impact of this Statement on the financial statements.

GASB issued Statement No. 101, *Compensated Absences* in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged. Management has not yet determined the impact of this Statement on the financial statements.

The GASB issued Statement No. 102 "*Certain Risk Disclosures*" December 2023. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (Continued)

F. Adopted and Upcoming Pronouncements – (Continued)

The GASB issued Statement No. 103 “*Financial Reporting Model Improvements*” in April 2024. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

G. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

H. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (SHBP) and additions to/deductions from SHBP’s fiduciary net position have been determined on the same basis as they are reported by SHBP.

I. Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year’s format. Net position, net operating income and changes in net position are unchanged due to these reclassifications.

J. Subsequent Events

Management has reviewed and evaluated all events and transactions occurring from October 31, 2023 through the date of the financial statements were available for issuance, October 7, 2024, for possible disclosure and recognition in the accompanying financial statements. Other than the matter described in Note 13, no items have come to the attention of the Authority which would require disclosure or recognition.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

2. Deposits and Investments

Cash and Cash Equivalents:

Operating cash, in the form of checking and money market accounts, is held in the Authority's name by commercial banking institutions. At October 31, 2023, the carrying amount of the Authority's deposits was \$21,888,672 and the bank balance was \$22,033,992. Of the bank balance, \$750,000 was insured with Federal Deposit Insurance Corporation, \$17,684,309 was covered by GUDPA and \$3,599,683 was uninsured. At October 31, 2022, the carrying amount of the Authority's deposits was \$28,191,561 and the bank balance was \$28,199,154. Of the bank balance, \$500,000 was insured with Federal Deposit Insurance Corporation, \$18,602,687 was covered by GUDPA and \$9,096,467 was uninsured.

Pursuant to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*" ("GASB 40"), the Authority's accounts are examined in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of bank failure, the Authority's deposits or investments may not be returned). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the Authority's name.

The Authority does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act.

Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

2. Deposits and Investments - (Continued)

Investments:

New Jersey statutes permit the Authority to purchase the following types of securities:

- Bonds and other obligations of the United States or obligations guaranteed by the United States.
- Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank, and bonds or obligations of local units, which have a maturity date not greater than 397 days from the date of purchase.
- New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and Government money market mutual funds.
- Certificates of deposit which meet conditions noted in New Jersey Statute Title 40A:5-14.

As of October 31, 2023, the Authority's investments consisted of a Certificate of Deposit. As of October 31, 2022, the Authority's investments consisted of a Certificate of Deposit and Bond Anticipation Notes.

Credit Risk – As of October 31, 2022 the Authority's investment in Bond Anticipation Notes was not rated by a nationally recognized bond rating agency. GASB 40 requires credit risk disclosure for all debt security investments except for obligations of the U.S. government.

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Authority.

The Authority manages custodial credit risk by limiting its investments to the debt of other governmental units within the State of New Jersey, Certificates of Deposit and United States Treasury Bills and Notes.

The following is the detail of the balance of the Authority's investments, all of which are held directly by the Authority's Trustee as of October 31, 2023 and 2022.

Description of Investment	Interest Rates	Balance as of October 31, 2023
Certificate of Deposit	Variable	\$ 222,846
Grand Total		\$ 222,846

Description of Investment	Interest Rates	Balance as of October 31, 2022
Bond Anticipation Notes:		
Borough of Milford	1.28%	\$ 602,000
Township of Green Brook	0.68%	1,075,000
Total Bond Anticipation Notes		1,677,000
Certificate of Deposit	Variable	222,841
Grand Total		\$ 1,899,841

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

2. Deposits and Investments - (Continued)

GASB 72 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under GASB 72 are:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

- *Municipally issued Bond Anticipation Notes*: Valued at the acquisition price as these assets are not traded and are held to maturity.
- *Certificates of Deposit*: Valued at the acquisition price which equals fair value.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

2. Deposits and Investments - (Continued)

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of October 31, 2023 and 2022:

		Assets at Fair Value as of October 31, 2023	
		<u>Level 2</u>	<u>Total</u>
Held to maturity securities:			
Certificate of Deposit		\$ 222,846	\$ 222,846
Total		<u>\$ 222,846</u>	<u>\$ 222,846</u>

		Assets at Fair Value as of October 31, 2022	
		<u>Level 2</u>	<u>Total</u>
Held to maturity securities:			
Bond Anticipation Notes		\$ 1,677,000	\$ 1,677,000
Certificate of Deposit		222,841	222,841
Total		<u>\$ 1,899,841</u>	<u>\$ 1,899,841</u>

As of October 31, 2023 and 2022, all investments have a maturity date of less than one year.

3. Capital Assets

The following schedule is a summarization of the changes in capital assets for the years ended October 31, 2023 and 2022.

October 31, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 9,398,958	\$17,200,611	\$ (4,592,767)	\$22,006,802
Land	1,937,121	-	-	1,937,121
Total capital assets, not being depreciated	<u>11,336,079</u>	<u>17,200,611</u>	<u>(4,592,767)</u>	<u>23,943,923</u>
Capital assets, being depreciated:				
Buildings and improvements	15,583,265	34,200	-	15,617,465
Other improvements	73,390,940	-	2,821,326	76,212,266
Sewer mains and interceptors	34,546,192	-	164,992	34,711,184
Pump stations	10,679,725	-	-	10,679,725
Other equipment	7,629,187	915,578	1,469,987	10,014,752
Vehicles	1,458,721	86,998	-	1,545,719
Total assets being depreciated	<u>143,288,030</u>	<u>1,036,776</u>	<u>4,456,305</u>	<u>148,781,111</u>
Accumulated depreciation	<u>(81,467,414)</u>	<u>(3,831,901)</u>	<u>-</u>	<u>(85,299,315)</u>
Total capital assets, being depreciated, net	<u>61,820,616</u>	<u>(2,795,125)</u>	<u>4,456,305</u>	<u>63,481,796</u>
Net capital assets	<u>\$73,156,695</u>	<u>\$14,405,486</u>	<u>\$ (136,462)</u>	<u>\$87,425,719</u>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

3. Capital Assets – (Continued)

October 31, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 7,739,806	\$ 5,204,908	\$ (3,545,756)	\$ 9,398,958
Land	1,937,121	-	-	1,937,121
Total capital assets, not being depreciated	<u>9,676,927</u>	<u>5,204,908</u>	<u>(3,545,756)</u>	<u>11,336,079</u>
Capital assets, being depreciated:				
Buildings and improvements	15,583,265	-	-	15,583,265
Other improvements	73,162,649	228,291	-	73,390,940
Sewer mains and interceptors	32,701,470	-	1,844,722	34,546,192
Pump stations	9,205,255	-	1,474,470	10,679,725
Other equipment	7,331,810	248,732	48,645	7,629,187
Vehicles	1,428,808	29,913	-	1,458,721
Total assets being depreciated	<u>139,413,257</u>	<u>506,936</u>	<u>3,367,837</u>	<u>143,288,030</u>
Accumulated depreciation	<u>(77,834,575)</u>	<u>(3,632,839)</u>	<u>-</u>	<u>(81,467,414)</u>
Total capital assets, being depreciated, net	<u>61,578,682</u>	<u>(3,125,903)</u>	<u>3,367,837</u>	<u>61,820,616</u>
Net capital assets	<u>\$71,255,609</u>	<u>\$ 2,079,005</u>	<u>\$ (177,919)</u>	<u>\$73,156,695</u>

4. Long-term Liabilities

During the year ended October 31, 2023, the following changes occurred in long-term liabilities.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Revenue bonds payable	\$ 2,445,000	\$ 1,817,361	\$ 371,766	\$ 3,890,595
Unamortized premium	39,362	71,204	18,019	92,547
	<u>2,484,362</u>	<u>1,888,565</u>	<u>389,785</u>	<u>3,983,142</u>
Unemployment claims reserve	64,055	-	-	64,055
Compensated absences	333,617	250,242	249,248	334,611
Sub-total	<u>2,882,034</u>	<u>2,138,807</u>	<u>639,033</u>	<u>4,381,808</u>
Net OPEB liability	7,295,418	929,816	-	8,225,234
Net pension liability	5,813,561	-	100,234	5,713,327
Total	<u>\$ 15,991,013</u>	<u>\$ 3,068,623</u>	<u>\$ 739,267</u>	<u>\$ 18,320,369</u>
Current Portion	<u>\$ 508,179</u>			<u>\$ 992,942</u>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

4. Long-term Liabilities – (Continued)

During the year ended October 31, 2022, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds payable	\$ 2,680,000	\$ -	\$ 235,000	\$ 2,445,000
Unamortized premium	43,140	-	3,778	39,362
	<u>2,723,140</u>	<u>-</u>	<u>238,778</u>	<u>2,484,362</u>
Unemployment claims reserve	64,055	-	-	64,055
Compensated absences	316,715	21,509	4,607	333,617
Sub-total	<u>3,103,910</u>	<u>21,509</u>	<u>243,385</u>	<u>2,882,034</u>
Net OPEB liability	8,697,314		1,401,896	7,295,418
Net pension liability	<u>4,572,315</u>	<u>1,241,246</u>	<u>-</u>	<u>5,813,561</u>
Total	<u>\$ 16,373,539</u>	<u>\$ 1,262,755</u>	<u>\$ 1,645,281</u>	<u>\$ 15,991,013</u>
Current Portion	<u>\$ 485,033</u>			<u>\$ 508,179</u>

2016 Revenue Bonds

On March 31, 2016, the Authority issued \$3,770,000 in Revenue Bonds. The Bonds mature annually on June 1 through 2031 with remaining principal amounts ranging from \$245,000 to \$320,000. Interest rates range from 2.25% to 2.5%.

2022A Series Bonds – New Jersey Infrastructure Bank

On December 22, 2022, the Authority issued \$1,817,361 of Revenue Bonds through the New Jersey Infrastructure Bank (“NJIB”). The “Fund” portion of the Bond Issue, \$922,361, was issued on an interest free basis. The Fund loan has a balance of \$790,595 as of October 31, 2023. The remaining “Trust” portion matures annually on August 1 each year, with maturities ranging from \$205,000 to \$240,000. The “Trust” portion of the Bond Issue matures August 1, 2027 and has a balance of \$895,000 as of October 31, 2023. The interest rate on the “Trust” portion is 5.00%. The Bonds were issued with an original issue premium of \$71,204.

New Jersey Infrastructure Bank Temporary Financing

On April 2, 2020, the Authority was awarded an interest free construction loan of up to \$75,000,000 by the New Jersey Infrastructure Bank in order to fund the construction of a new main pump station. During the 2021 fiscal year, the loan for the construction of a new main pump station was increased to an amount not to exceed \$90,000,000. The cumulative drawdowns on this loan totaled \$2,885,199. In March 2022, the Authority paid off the balance on this construction loan.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

4. Long-term Liabilities – (Continued)

On November 11, 2020, the Authority was awarded a second interest free construction loan of up to \$4,000,000 by the New Jersey Infrastructure Bank in order to fund the construction of the Authority’s interceptor and Pump Station 12 upgrades. The cumulative drawdowns on this loan totaled \$3,094,326. During the year ended October 31, 2022, the Authority made a payment of \$1,210,000 towards the construction loan and the Authority reflected a balance of \$1,844,762 as of October 31, 2022. On December 22, 2022, the Authority converted the remaining balance to the 2022A Series Bonds long-term financing as noted above.

On October 26, 2023, the Authority was awarded a third, low interest rate construction loan up to \$122,051,506 by the New Jersey Infrastructure Bank in order to fund the construction of the Authority’s new main pump station. The interest rate is set monthly by the New Jersey Infrastructure Bank. As of October 31, 2023, the interest rate on the loan was 0.368%. The cumulative drawdowns and balance on this construction loan totaled \$3,442,138 as of October 31, 2023.

The balances on the construction loans are reflected as a current liability, however, once the construction loans are converted to a long-term bond issuance, payment terms will be identified and a portion of the loan will be reflected as long-term debt.

Aggregate long-term debt outstanding is as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 647,649	\$ 96,269	\$ 743,918
2025	667,649	80,506	748,155
2026	687,649	63,881	751,530
2027	707,648	46,531	754,179
2028	275,000	28,456	303,456
2029-2031	<u>905,000</u>	<u>45,769</u>	<u>950,769</u>
	<u>\$ 3,890,595</u>	<u>\$ 361,412</u>	<u>\$ 4,252,007</u>

5. Compensated Absences

The Authority records a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee and is accrued as employees earn the rights to the benefits. The Authority uses the “vesting method” for estimating its accrued sick and vacation leave liability.

Authority employees are granted vacation and sick leave in varying amounts under the Authority’s personnel policies and according to negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. The liability for vested compensated absences of the Authority amounted to \$334,611 and \$333,617 as of October 31, 2023 and 2022, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans

Description of Systems:

Substantially all of the Authority's employees participate in the following contributory defined benefit public employee retirement system, which has been established by State statute; the Public Employees' Retirement System (PERS). This system is sponsored and administered by the State of New Jersey. The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit plan. PERS was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Special Funding Situation – Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employers as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for the PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans – (Continued)

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, the employee contribution rate for PERS for 2023 and 2022 was 7.50% of employees’ annual pensionable compensation. Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for noncontributory death benefits, and post-retirement medical premiums. The Authority’s actuarially determined contributions to PERS for the years ended October 31, 2023, 2022 and 2021 were \$527,191, \$485,786 and \$452,008, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees’ Retirement System (PERS)

At October 31, 2023 and 2022, the Authority reported a liability of \$5,713,327 and \$5,813,561, respectively, for its proportionate share of the net pension liability. The October 31, 2023 net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2022, which was rolled forward to June 30, 2023. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the Non-State Employer Group, actuarially determined. At June 30, 2023, the Authority’s proportion was 0.0394447623 percent, which was an increase of 0.0009223594 percent from its proportion measured as of June 30, 2022 of 0.0385224029 percent. For the years ended October 31, 2023 and 2022, the Authority recognized full accrual pension benefit of \$(509,457) and \$(786,803), respectively, in the financial statements.

At October 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 12,551	\$ 346,252
Net difference between projected and actual investment earnings on pension plan investments	26,311	-
Changes in proportion	134,660	148,274
Difference between expected and actual experience	54,627	23,354
Authority contributions subsequent to the measurement date	175,730	-
	\$ 403,879	\$ 517,880

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans – (Continued)

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 18,012	\$ 870,520
Net difference between projected and actual investment earnings on pension plan investments	240,618	-
Changes in proportion	87,558	220,985
Difference between expected and actual experience	41,960	37,002
Authority contributions subsequent to the measurement date	161,929	-
	\$ 550,077	\$ 1,128,507

For the year ended October 31, 2023, \$175,730 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended October 31,	Amount
2024	\$ (330,600)
2025	(190,614)
2026	246,213
2027	(17,357)
2028	2,627
Total	\$ (289,731)

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2023 and 2022	
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75-6.55%
	based on years of service
Investment rate of return	7.00%

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans – (Continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023 and 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 and 2022 are summarized in the following tables:

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans - (Continued)

2023		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

2022		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans - (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023 and June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability as of October 31, 2023 calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	At 1% Decrease	At Current Discount Rate (7.00%)	At 1% Increase
PERS	\$7,437,536	\$ 5,713,327	\$4,245,797

The following presents the Authority's proportionate share of the net pension liability as of October 31, 2022 calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	At 1% Decrease	At Current Discount Rate (7.00%)	At 1% Increase
PERS	\$7,468,723	\$ 5,813,561	\$4,404,952

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans - (Continued)

Pension Plan Fiduciary Net Position

The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2023 and 2022 were \$34,831,652,936 and \$32,568,122,309, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2023 and 2022 was \$27,400,438,440 and \$25,810,084,045, respectively.

Additional Information

Collective balances of the Local Group at the end of the current measurement period, June 30, 2023 are as follows:

	2023
Collective deferred outflows of resources	\$ 1,080,204,730
Collective deferred inflows of resources	1,780,216,457
Collective net pension liability	14,606,489,066
 Authority's Proportion	 0.0394447623%

Collective balances of the Local Group at the end of the current measurement period, June 30, 2022 are as follows:

	2022
Collective deferred outflows of resources	\$ 1,660,772,008
Collective deferred inflows of resources	3,236,303,935
Collective net pension liability	15,219,184,920
 Authority's Proportion	 0.0385224029%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2023 and 2022 was \$(79,181,803) and \$(1,032,778,934), respectively. The average of the expected remaining service lives of all plan members is 5.08, 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, and 5.57 years for the 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

State Contribution Payable Dates

Consistent with Chapter 83, P.L. 2016, it is assumed that the State will make pension contributions in equal amounts at the end of each quarter. This assumption does not apply to the fiscal year ending June 30, 2024 contribution that was paid in full at the beginning of the fiscal year.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

6. Pension Plans - (Continued)

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2023 and June 30, 2022 are \$1,354,892,653 and \$1,288,683,017, respectively.

Special Funding Situation

The Authority is responsible for the actuarially determined annual contributions to the PERS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for the Local employers of the PERS. The State of New Jersey, as a non-employer is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this relationship as a "special funding situation", and the State of New Jersey is defined as a non-employer contributing entity.

Unaudited data provided by the PERS indicates that the total Non-employer contributions made to the PERS by the State for the year ended June 30, 2023 was \$61,366,036. The portion of that contribution allocated to the Authority in 2023 was \$17,818 or 0.0395945223%. The June 30, 2023 State special funding situation pension expense of \$55,672,746 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$122,115,019 at June 30, 2023 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Authority's allocated shares of the special funding situation pension expense for the year ended June 30, 2023 and its share of the special funding situation Net Pension Liability at that date was \$17,818 and \$0, respectively.

7. Postemployment Benefits Other Than Pensions (OPEB)

Plan description and benefits provided

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (Plan), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the State of New Jersey Division of Pension and Benefits. The Plan covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan provides medical and prescription drug coverage to retirees and their covered dependents. Rules governing the operation and administration of the program are found in Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999. Additional information about the Plan is available from the State of New Jersey, Division of Pensions and Benefits Annual Comprehensive Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions.financial-reports.shtml>.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

7. Postemployment Benefits Other Than Pensions (OPEB) - (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At October 31, 2023 and 2022, the Authority reported a liability of \$8,225,234 and \$7,295,418, respectively for its proportionate share of the net OPEB liability. The net OPEB liability as of October 31, 2023 was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. The net OPEB liability as of October 31, 2022 was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating local governments, actuarially determined. At October 31, 2023 and 2022, the Authority's proportion was 0.054811 and 0.045174 percent, respectively.

For the years ended October 31, 2023 and 2022, the Authority recognized an OPEB benefit of \$(499,495) and \$(353,223). At October 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Changes between expected and actual experience	\$ 379,305	\$ 2,233,705
Changes of assumptions	1,065,476	2,325,010
Changes in proportion	2,413,213	994,586
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,357
	<u>\$ 3,857,994</u>	<u>\$ 5,554,658</u>

For the year ended October 31, 2022, the Authority recognized OPEB expense of \$(353,223). At October 31, 2022, the Authority reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Changes between expected and actual experience	\$ 376,743	\$ 1,352,260
Changes of assumptions	973,604	2,489,786
Changes in proportion	725,330	1,361,527
Net difference between projected and actual investment earnings on OPEB plan investments	1,921	-
	<u>\$ 2,077,598</u>	<u>\$ 5,203,573</u>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending October 31,	Amount
2024	\$ (822,290)
2025	(496,554)
2026	(184,624)
2027	35,810
2028	(171,098)
Thereafter	<u>(57,908)</u>
Total	<u><u>\$(1,696,664)</u></u>

Discount Rate

The discount rate for June 30, 2023 and 2022 was 3.65% and 3.54%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Mortality Rates

Mortality rates for June 30, 2023 for Pre-retirement and Post retirement healthy retirees is based on the Pub-2010 Healthy “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality is based on the Pub-2010 Disabled “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Mortality rates for June 30, 2022 for Pre-retirement and Post retirement healthy retirees is based on the Pub-2010 Healthy “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality is based on the Pub-2010 Disabled “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 6.50% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

The following represents sensitivity of the Authority's proportionate share of the net OPEB liability associated with the Authority to changes in the discount rate and healthcare cost trend rate.

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2023 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.65%)	June 30, 2023 At Discount Rate (3.65%)	1% Increase (4.65%)
Total Net OPEB Liability	\$ 17,382,355,978	\$ 15,006,539,477	\$ 13,095,561,553
Authority's Share	\$ 6,990,481	\$ 8,225,234	\$ 9,806,095

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2022 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	1% Decrease (2.54%)	June 30, 2022 At Discount Rate (3.54%)	1% Increase (4.54%)
Total Net OPEB Liability	\$ 18,720,632	\$ 16,149,595,478	\$ 14,080,955,857
Authority's Share	\$ 8,456,858	\$ 7,295,418	\$ 6,360,931

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2023 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	<u>1% Decrease</u>	June 30, 2023 Healthcare Cost Trend Rate	<u>1% Increase</u>
Total Net OPEB Liability	\$ 12,753,792,805	\$ 15,006,539,477	\$ 17,890,743,651
Authority's Share	\$ 6,990,481	\$ 8,225,234	\$ 9,806,095

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2022 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	<u>1% Decrease</u>	June 30, 2022 Healthcare Cost Trend Rate	<u>1% Increase</u>
Total Net OPEB Liability	\$ 18,720,632,230	\$ 16,149,595,478	\$ 14,080,955,857
Authority's Share	\$ 8,456,858	\$ 7,295,418	\$ 6,360,931

Actuarial assumptions and other inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases*:	
Rate for all future years	2.75 - 6.55%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

* Salary increases based on years of service within the plan.

Actuarial assumptions used in the July 1, 2022 valuation were based on the results of PERS experience studies prepared for July 1, 2018 to June 30, 2021. Actuarial assumptions used in the July 1, 2021 valuation were based on the results of PERS experience studies prepared for July 1, 2018 to June 30, 2021.

The average service lives of all plan members is 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2023, 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

8. Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

9. Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan which is administered by the AXA/Equitable, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

10. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance:

The Authority maintains commercial insurance coverage through the New Jersey Utility Authorities Joint Insurance Fund for property, liability and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Other Information section of the report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

New Jersey Unemployment Compensation Insurance:

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. There are sufficient funds maintained in the separate unemployment compensation account to pay current billings.

11. Contingent Liabilities

Grant Programs:

The Authority participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing grants, refunds of any money received may be required. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

Litigation:

The Authority's attorney has indicated the Authority is not involved in any litigation.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2023 and 2022

12. Restrictions on Net Position

Certain portions of net position have been restricted. Restrictions as of October 31, 2023 and 2022 include net position restricted for dredging project of \$190,000, for renewal and replacement of \$1,500,000 and for debt service of \$100,000.

13. Subsequent Event

On February 20, 2024, the Authority authorized the issuance of an application of a loan through the Water Bank Construction Financing Program of the New Jersey Infrastructure Bank in the amount of \$6,295,042 with a project useful life of 30 years.

Other Required Supplementary Information – Part II

**Schedules Relating to Accounting and Reporting for Pensions
and OPEB**

(GASB 68 and GASB 75)

TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset) - Local Group	0.039445%	0.038522%	0.038596%	0.040019%	0.040235%	0.039009%	0.038096%	0.034481%	0.036721%	0.035562%
Authority's proportionate share of the net pension liability (asset)	\$ 5,713,327	\$ 5,813,561	\$ 4,572,315	\$ 6,526,116	\$ 7,249,792	\$ 7,680,727	\$ 8,868,048	\$ 10,212,174	\$ 8,243,126	\$ 6,658,156
Authority's covered-employee payroll	\$ 2,960,303	\$ 2,758,125	\$ 2,800,471	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,205	\$ 2,437,471	\$ 2,473,891	\$ 2,554,024
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	193.00%	210.78%	163.27%	222.93%	255.53%	282.52%	345.57%	418.97%	333.20%	260.69%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	48.72%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate remained the same at 7.00% as of June 30, 2022 and June 30, 2023.

**TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

LAST TEN FISCAL YEARS

	Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 527,191	\$ 485,786	\$ 452,008	\$ 437,793	\$ 392,687	\$ 389,301	\$ 356,766	\$ 306,321	\$ 315,702	\$ 293,167
Contributions in relation to the contractually required contribution	<u>(527,191)</u>	<u>(485,786)</u>	<u>(452,008)</u>	<u>(437,793)</u>	<u>(392,687)</u>	<u>(389,301)</u>	<u>(356,766)</u>	<u>(306,321)</u>	<u>(315,702)</u>	<u>(293,167)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,964,608	\$ 2,960,303	\$ 2,758,125	\$ 2,800,471	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,205	\$ 2,437,471	\$ 2,473,891
Contributions as a percentage of covered-employee payroll	17.78%	16.41%	16.39%	15.63%	13.41%	13.72%	13.12%	11.94%	12.95%	11.85%

TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEE PLAN

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net OPEB liability (asset)	0.0548110000%	0.0451740000%	0.0483190000%	0.0460650000%	0.0438160000%	0.4638000000%	0.0467040000%	0.0537190000%	N/A	N/A
Authority's proportionate share of the net OPEB liability (asset)	\$ 8,225,234	\$ 7,295,418	\$ 8,697,314	\$ 8,267,107	\$ 5,935,347	\$ 7,261,164	\$ 9,534,990	\$ 11,666,405	N/A	N/A
Authority's covered-employee payroll	\$ 2,960,303	\$ 2,758,125	\$ 2,800,471	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,204	\$ 2,437,471	\$ 2,473,891	\$ 2,554,024
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	277.85%	264.51%	310.57%	282.40%	209.20%	267.09%	371.56%	478.63%	N/A	N/A
Plan fiduciary net OPEB position as a percentage of the total OPEB liability - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.54% as of June 30, 2022 to 3.65% as of June 30, 2023.

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

**TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF AUTHORITY'S OPEB CONTRIBUTIONS
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN**

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 2,960,303	\$ 2,758,125	\$ 2,800,471	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,205	\$ 2,437,471	\$ 2,473,891	\$ 2,554,024
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Other Supplementary Information

TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2023 and 2022

	For the year ended October 31, 2023				For the year ended October 31, 2022			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Revenues from Customer Municipalities and Government Facilities:	\$ 5,685,595	\$ 5,685,595			\$ 6,511,220	\$ 6,511,220		
Eatontown			\$ 1,829,209				\$ 1,815,373	
Tinton Falls			1,201,826				1,251,233	
Red Bank			1,546,743				1,294,957	
Rumson			1,582,107				1,535,733	
Sea Bright			373,047				259,151	
Township of Shrewsbury			188,990				199,751	
	<u>5,685,595</u>	<u>5,685,595</u>	<u>6,721,922</u>	<u>\$ 1,036,327</u>	<u>6,511,220</u>	<u>6,511,220</u>	<u>6,356,198</u>	<u>\$ (155,022)</u>
Service Charges:								
Individual Billings Member Towns	<u>5,935,000</u>	<u>5,935,000</u>	<u>6,105,046</u>	<u>170,046</u>	<u>5,895,000</u>	<u>5,895,000</u>	<u>6,222,688</u>	<u>327,688</u>
Interest on Investments	<u>300,000</u>	<u>300,000</u>	<u>968,795</u>	<u>668,795</u>	<u>300,000</u>	<u>300,000</u>	<u>102,611</u>	<u>(197,389)</u>
Other Fees:								
Connection Charges	<u>480,000</u>	<u>480,000</u>	<u>402,402</u>	<u>(77,598)</u>	<u>480,000</u>	<u>480,000</u>	<u>205,921</u>	<u>(274,079)</u>
Miscellaneous Income	<u>25,000</u>	<u>25,000</u>	<u>20,985</u>	<u>(4,015)</u>	<u>25,000</u>	<u>25,000</u>	<u>32,011</u>	<u>7,011</u>
	<u>505,000</u>	<u>505,000</u>	<u>423,387</u>	<u>(81,613)</u>	<u>505,000</u>	<u>505,000</u>	<u>237,932</u>	<u>(267,068)</u>
TOTAL REVENUES	<u>12,425,595</u>	<u>12,425,595</u>	<u>14,219,150</u>	<u>1,793,555</u>	<u>13,211,220</u>	<u>13,211,220</u>	<u>12,919,429</u>	<u>(291,791)</u>
EXPENSES:								
Administrative and General Expenses:								
Administrative Salaries and Wages	718,000	718,000	611,360	106,640	708,000	708,000	669,211	38,789
Employee Benefits	170,000	170,000	161,411	8,589	160,000	160,000	154,955	5,045
FICA and Medicare	50,000	50,000	45,922	4,078	50,000	50,000	7,769	42,231
Employee Medical Related	2,000	2,000	3,341	(1,341)	3,000	3,000	1,686	1,314
Pension PERS	400,000	400,000	485,786	(85,786)	400,000	400,000	452,008	(52,008)
Billing Expenses:								
Computer Service	41,703	41,703	66,465	(24,762)	40,331	40,331	54,361	(14,030)
Billing Postage	28,000	28,000	25,464	2,536	28,000	28,000	27,023	977
Bank Fees	20,000	20,000	54,819	(34,819)	20,000	20,000	42,445	(22,445)
Office Expenses:								
Other Postage	4,500	4,500	3,248	1,252	4,500	4,500	2,516	1,984
Stationary and Supplies	15,000	15,000	13,773	1,227	20,000	20,000	11,816	8,184
Equipment Rental and Supplies	25,000	25,000	23,460	1,540	30,000	30,000	44,608	(14,608)
Printing	7,000	7,000	652	6,348	7,000	7,000	1,010	5,990
Equipment Service Contracts	4,100	4,100	5,590	(1,490)	6,000	6,000	13,237	(7,237)
Telephone	14,100	14,100	19,632	(5,532)	18,000	18,000	21,280	(3,280)

TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2023 and 2022

	For the year ended October 31, 2023				For the year ended October 31, 2022			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
General Expenses:								
Conferences and Training	\$ 6,000	\$ 6,000	\$ 24,975	\$ (18,975)	\$ 6,000	\$ 6,000	\$ 13,960	\$ (19,960)
Commissioners Conference	3,000	3,000	1,275	1,725	3,000	3,000	2,740	260
Travel Expenses	2,000	2,000	4,756	(2,756)	3,000	3,000	8,319	(5,319)
Motor Vehicle Fees	6,000	6,000	3,797	2,203	5,000	5,000	5,306	(306)
Auto and Fire Liability Business Insurance	190,000	190,000	203,749	(13,749)	180,000	180,000	183,912	(3,912)
Worker's Compensation Insurance	110,000	110,000	129,946	(19,946)	120,000	120,000	121,038	(1,038)
Advertising Fees	4,000	4,000	3,049	951	5,000	5,000	1,450	3,550
NJ IBank Administration & Agent Fees	-	-	-	-	-	-	32,200	(32,200)
Dues and Membership	15,000	15,000	8,435	6,565	10,000	10,000	8,886	1,114
Subscriptions	200	200	30	170	200	200	30	170
Gift Baskets	500	500	269	231	500	500	-	500
Meeting Expenses	2,500	2,500	7,128	(4,628)	2,000	2,000	2,920	(920)
Equipment Renewal and Replacement	-	-	-	-	-	-	813	(813)
Leases of R.R. Property	300	300	-	300	300	300	127	173
Long Branch Sewerage Authority	4,000	4,000	4,048	(48)	4,000	4,000	3,609	391
Contingency	10,000	10,000	-	10,000	10,000	10,000	-	10,000
Professional Expenses:								
Legal Fees	90,000	90,000	135,576	(45,576)	90,000	90,000	87,032	2,968
Engineering Fees	155,000	155,000	178,092	(23,092)	155,000	155,000	121,090	33,910
Trustee Fees	15,000	15,000	-	-	15,000	15,000	-	15,000
Auditors Fees	35,000	35,000	75,612	(40,612)	75,000	75,000	39,900	35,100
Investment Management Fees	36,000	36,000	36,000	-	36,000	36,000	36,000	-
Pre-Employment Physical Fees	500	500	1,063	(563)	500	500	156	344
Total Administrative and General Expenses	2,184,403	2,184,403	2,338,723	(154,320)	2,215,331	2,215,331	2,173,413	41,918
Treatment Plant and Main Pumping Expenses:								
Plant Salaries and Wages	2,420,000	2,420,000	2,309,784	110,216	2,320,000	2,320,000	2,221,853	98,147
Employee Benefits	590,000	590,000	617,799	(27,799)	598,000	598,000	528,157	69,843
FICA and Medicare	180,000	180,000	159,209	20,791	180,000	180,000	160,295	19,705
Other Treatment Plant Expenses:								
Conferences and Training	10,000	10,000	16,806	(6,806)	15,000	15,000	36	14,964
Electricity	900,000	900,000	871,316	28,684	700,000	700,000	724,060	(24,060)
Fuel - Diesel	80,000	80,000	47,178	32,822	40,000	40,000	52,815	(12,815)
Natural Gas	80,000	80,000	74,945	5,055	60,000	60,000	64,909	(4,909)
Sodium Hypochlorite	85,000	85,000	41,757	43,243	85,000	85,000	47,774	37,226
Polymer	150,000	150,000	199,800	(49,800)	80,000	80,000	127,975	(47,975)
Hydrogen Peroxide	95,000	95,000	53,261	41,739	80,000	80,000	44,101	35,899
Non Bulk Chemicals	-	-	(2,325)	2,325	-	-	-	-

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2023 and 2022**

	For the year ended October 31, 2023				For the year ended October 31, 2022			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
Fuel - Unleaded	\$ 10,000	\$ 10,000	\$ 3,001	\$ 6,999	\$ 10,000	\$ 10,000	\$ 7,376	\$ 2,624
Truck Maintenance	60,000	60,000	74,790	(14,790)	75,000	75,000	76,114	(1,114)
DEP and EPA Permits	80,000	80,000	76,103	3,897	70,000	70,000	76,806	(6,806)
Calibration Services	18,405	18,405	21,631	(3,226)	25,000	25,000	38,874	(13,874)
Water	50,000	50,000	61,116	(11,116)	70,000	70,000	40,051	29,949
Stationary Supplies	-	-	5,449	(5,449)	-	-	349	(349)
Maintenance Supplies	50,000	50,000	47,342	2,658	50,000	50,000	37,088	12,912
Equipment Service Contracts	69,000	69,000	74,197	(5,197)	55,000	55,000	72,844	(17,844)
Equipment Repair	200,000	200,000	179,689	20,311	130,000	130,000	188,752	(58,752)
Uniforms and Gloves	15,000	15,000	7,883	7,117	15,000	15,000	12,305	2,695
Equipment Replacement	100,000	100,000	582,851	(482,851)	80,000	80,000	251,964	(171,964)
Sludge Removal	1,000,000	1,000,000	784,493	215,507	900,000	900,000	815,255	84,745
Ash, Grit, and Screenings	16,000	16,000	27,539	(11,539)	20,000	20,000	15,025	4,975
Laboratory Supplies	35,000	35,000	34,458	542	30,000	30,000	27,499	2,501
Outside Lab Fees	70,000	70,000	71,513	(1,513)	60,000	60,000	73,650	(13,650)
Municipal Services	35,000	35,000	40,000	(5,000)	35,000	35,000	40,000	(5,000)
Janitorial Supplies	10,000	10,000	6,568	3,432	12,000	12,000	13,776	(1,776)
Building and Ground Maintenance	75,000	75,000	111,199	(36,199)	75,000	75,000	183,320	(108,320)
Travel Expenses	-	-	677	(677)	50	50	108	(58)
Contingency	50,000	50,000	-	50,000	50,000	50,000	-	50,000
Plant Renewal and Replacement	-	-	12,542	(12,542)	-	-	11,639	(11,639)
New Equipment	80,000	80,000	169,202	(89,202)	80,000	80,000	90,281	(10,281)
Safety	45,000	45,000	115,219	(70,219)	40,000	40,000	68,278	(28,278)
Subscriptions	100	100	-	100	100	100	-	100
Penalties	20,000	20,000	-	20,000	15,000	15,000	-	15,000
Covid-19 Expenses	5,000	5,000	2,277	2,723	5,000	5,000	(1,965)	6,965
Total Treatment Plant and Main Pumping Expenses	6,683,505	6,683,505	6,899,269	(215,764)	6,060,150	6,060,150	6,111,364	(51,214)
Lines and System Pumping Station:								
Line Salaries and Wages	370,000	370,000	292,441	77,559	343,000	343,000	351,511	(8,511)
Employee Benefits	150,000	150,000	91,912	58,088	152,000	152,000	118,948	33,052
FICA and Medicare	20,000	20,000	21,435	(1,435)	20,000	20,000	23,882	(3,882)
Other Lines Expenses:								
Stationary and Supplies	500	500	760	(260)	500	500	563	(63)
Conferences and Training	2,000	2,000	1,075	925	2,000	2,000	-	2,000
Electricity	95,000	95,000	79,557	15,443	95,000	95,000	57,374	37,626
Fuel - Unleaded Gasoline	30,000	30,000	18,008	11,992	20,000	20,000	42,841	(22,841)
Equipment Service - Contracts	2,000	2,000	2,440	(440)	7,000	7,000	3,873	3,127
Truck Maintenance	10,000	10,000	8,668	1,332	10,000	10,000	7,457	2,543
Natural Gas	41,000	41,000	38,166	2,834	41,000	41,000	29,744	11,256
Hydrogen Peroxide	-	-	44,764	(44,764)	-	-	16,241	(16,241)
Nitrate Oxygen	45,000	45,000	69,651	(24,651)	45,000	45,000	78,278	(33,278)
Travel Expenses	-	-	-	-	-	-	42	(42)

TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2023 and 2022

	For the year ended October 31, 2023				For the year ended October 31, 2022			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
Maintenance and Supplies	\$ 25,000	\$ 25,000	\$ 20,973	\$ 4,027	\$ 25,000	\$ 25,000	\$ 17,372	\$ 7,628
Uniforms and Gloves	2,000	2,000	-	2,000	2,000	2,000	322	1,678
Buildings and Grounds Maintenance	30,000	30,000	73,481	(43,481)	30,000	30,000	69,590	(39,590)
Bioxide 71	145,000	145,000	177,338	(32,338)	100,000	100,000	114,108	(14,108)
Maintenance of Lines	250,000	250,000	239,714	10,286	250,000	250,000	534,786	(284,786)
Safety	10,000	10,000	2,262	7,738	-	-	4,697	(4,697)
Water	4,000	4,000	1,839	2,161	4,000	4,000	-	4,000
Meter Calibration	15,500	15,500	15,700	(200)	15,000	15,000	13,138	1,862
Communications Equipment	2,000	2,000	2,364	(364)	2,000	2,000	2,391	(391)
Equipment Repair	70,000	70,000	103,405	(33,405)	70,000	70,000	82,738	(12,738)
Equipment Replacement	75,000	75,000	212,509	(137,509)	50,000	50,000	165,303	(115,303)
Contingency	25,000	25,000	-	25,000	25,000	25,000	-	25,000
New Equipment	20,000	20,000	2,149	17,851	20,000	20,000	10,629	9,371
Total Lines and System Pumping Station Expenses	1,439,000	1,439,000	1,520,611	(81,611)	1,328,500	1,328,500	1,745,828	(417,328)
TOTAL OPERATING EXPENSES	10,306,908	10,306,908	10,758,603	(451,695)	9,603,981	9,603,981	10,030,605	(426,624)
OTHER COSTS FUNDED BY OPERATING REVENUES:								
Bond Principal	240,000	240,000	371,766	(131,766)	235,000	235,000	235,000	-
Interest on Bonds	56,919	56,919	66,310	(9,391)	62,206	62,206	72,231	(10,025)
Renewal and Replacement	1,120,000	1,120,000	-	1,120,000	1,120,000	1,120,000	-	1,120,000
TOTAL COSTS FUNDED BY OPERATING REVENUES	1,416,919	1,416,919	438,076	978,843	1,417,206	1,417,206	307,231	1,109,975
TOTAL EXPENSES	11,723,827	11,723,827	11,196,679	527,148	11,021,187	11,021,187	10,337,836	683,351
BUDGETARY REVENUES OVER EXPENSES	\$ 701,768	\$ 701,768	\$ 3,022,471	\$ 2,320,703	\$ 2,190,033	\$ 2,190,033	\$ 2,581,593	\$ 391,560
Reconciliation of Budgetary Basis to Net Income:			Actual				Actual	
Budgetary revenues over expenses			\$ 3,022,471				\$ 2,581,593	
Adjustments to budgetary basis:								
Unbudgeted OPEB Benefit - GASB 75			499,495				353,223	
Unbudgeted Pension Benefit - GASB 68			491,639				786,803	
Depreciation expense			(3,831,901)				(3,632,839)	
Bond principal maturity			371,766				235,000	
Capital outlay expenditures			901,348				507,024	
Federal grant revenue			11,204,984				4,452,598	
State appropriation			164,992				-	
Bond issuance costs			(65,795)				-	
Total Adjustments			9,736,528				2,701,809	
GAAP Basis Change in Net Position			\$ 12,758,999				\$ 5,283,402	

TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY

SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED OCTOBER 31, 2023

Purpose	Date of Issue	Maturities		Interest Rate	Balance October 31, 2022	Issued	Paid	Balance October 31, 2023
		Date	Amount					
\$3,770,000 Series 2016 Revenue Bonds - To provide funds for improvements and upgrades to the wastewater treatment system.	3/31/2016	06/01/24	\$ 245,000	2.250%	\$ 2,445,000	\$ -	\$ 240,000	\$ 2,205,000
		06/01/25	250,000	2.250%				
		06/01/26	260,000	2.250%				
		06/01/27	270,000	2.250%				
		06/01/28	275,000	2.250%				
		06/01/29	285,000	2.375%				
		06/01/30	300,000	2.500%				
		06/01/31	320,000	2.500%				
\$895,000 New Jersey Infrastructure Bank Trust Loan 2022A-2	12/22/2022	08/01/24	205,000	5.000%	-	895,000	-	895,000
		08/01/25	220,000	5.000%				
		08/01/26	230,000	5.000%				
		08/01/27	240,000	5.000%				
\$922,361 New Jersey Infrastructure Bank Fund Loan 2022A-2	12/22/2022	02/01/24	65,883	-	-	922,361	131,766	790,595
		08/01/24	131,766	-				
		02/01/25	65,883	-				
		08/01/25	131,766	-				
		02/01/26	65,883	-				
		08/01/26	131,766	-				
		02/01/27	65,883	-				
		08/01/27	131,766	-				
TOTAL					\$ 2,445,000	\$ 1,817,361	\$ 371,766	\$ 3,890,595
Current Portion					\$ 240,000			\$ 647,649
Long-Term Liability Revenue Bonds					2,205,000			3,242,946
Subtotal Revenue Supported Debt					2,445,000			3,890,595
Unamortized Bond Premium					39,362			92,547
TOTAL					\$ 2,484,362			\$ 3,983,142

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
ANALYSIS OF CAPITAL PROJECTS
YEAR ENDED OCTOBER 31, 2023**

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Buildings and Improvements	Plant Doors	\$ 13,600
	Garage Door Chlorine Building	20,600
Total Buildings and Improvements		34,200
Vehicles	Truck 4 Repairs	11,797
	Truck 5 Repairs	27,967
	Truck 7 Repairs	18,499
	2023 Ford Maverick XLT 4WD	28,735
Total Vehicles		86,998
Other Equipment	Effluent Pump	10,964
	Scum Concentrator	10,540
	Scum Concentrator	9,390
	Headworks Storage tank 2	34,718
	Effluent Filter pipe repair	11,688
	Tork Indicator Assemblies	10,043
	NPW Pump	12,865
	Dewatering Building Reznor heater	80,900
	Headworks Storage tank 2	72,923
	Seepex Pumps	162,808
	GBT Goulds Pump	15,440
	Fire Alarm System Upgrade	73,154
	Scum Pumps Plant	46,978
	Grit piping replacement	34,171
	Bar Screen Screw Conveyor Parts	24,609
	Sludge Pump Grinder #2	77,582
	CSE Hoist System	22,986
	Station 2 Impellers & Wearplates	10,774
	Grinder repair	49,425
	Station 7 Pump	10,706
	Station 1,2,6 Pumps	23,437
	Station 9 Pump replacement	33,170
	Station 6 Valves	44,032
	CCVT Camera	18,390
	Emergency Repair Pump - Station 8	13,885
Total Other Equipment		915,578

TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
ANALYSIS OF CAPITAL PROJECTS (continued)
YEAR ENDED OCTOBER 31, 2023

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Construction in Progress	PS 12 Electrical Upgrades	\$ 1,435
	Main Pump Station Replacement	7,349,657
	Latera Install/Paving	109,555
	Contract 189 PS 12	205
	Odor Control System Contract 199	124,720
	Network Hardware and Services	28,161
	Clarifier Rehabilitation	1,000,209
	Voltage Regulators - Contract 204	3,988
	Fort Const./Const. Obser. - Contract 202A (FMERA Project)	4,820,736
	EPS FEMA BRIC	563,889
	Grit Classifier Rehabilitation	74,642
	Station 8 Elimination	42,598
	Phase 2 Oceanport Way - Contract 206 (FMERA Project)	2,850,441
	ARC Flash Study	21,279
	Parcel 7&8 Fort Monmouth (FMERA Project)	14,164
	Nurses Quarters (FMERA Project)	164,992
	Authority Surveillance Cameras (PO 23001224)	29,940
Total Construction in Progress		<u>17,200,611</u>
Total		<u>\$ 18,237,387</u>
Detail:		
Additions to Construction in Progress		\$ 17,200,611
Current Year's Acquisitions		<u>1,036,776</u>
		<u>\$ 18,237,387</u>

Single Audit Section

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Management and Commissioners of
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division") the basic financial statements of the business-type activities of the Two Rivers Water Reclamation Authority, in the County of Monmouth, New Jersey ("Authority") as of and for the year ended October 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 7, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Division.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Cranford, New Jersey
October 7, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

**Management and Commissioners of
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Two Rivers Water Reclamation Authority's, Monmouth Beach, New Jersey (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal and state programs for the year ended October 31, 2023. The Authority's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended October 31, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

**Management and Commissioners of the
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance and New Jersey OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the New Jersey OMB Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Management and Commissioners of the
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**

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Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based upon the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'CONNOR DAVIES, LLP
Cranford, New Jersey
October 7, 2024

TWO RIVERS WATER RECLAMATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2023

<u>FEDERAL GRANTOR/PASS - THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>ASSISTANCE LISTING NUMBER</u>	<u>GRANT PERIOD</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Homeland Security					
Pass-through State of New Jersey:					
Disaster Grant - Public Assistance - Presidentially Declared Disasters	97.036	2012 - Ongoing	Not Applicable	\$ -	\$ 3,519,641
U.S. Department of the Treasury					
Pass-Through Fort Monmouth Economic Revitalization Authority:					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	3/3/2021-12/31/2024	Not Applicable	-	7,685,343
				<u>\$ -</u>	<u>\$ 11,204,984</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

TWO RIVERS WATER RECLAMATION AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED OCTOBER 31, 2023

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>State Appropriation Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Sub Recipient Expenditures</u>	<u>Cumulative Expenditures</u>
State of New Jersey Department of Environmental Protection Passed Through New Jersey Infrastructure Bank New Jersey Infrastructure Bank Sewerage Facility Construction Cluster: NJ Environmental Infrastructure Trust - New Main Pump Station	S340 117-10a	N/A	\$ 3,442,138	\$ -	\$ 3,442,138
Total State Financial Assistance			<u>\$ 3,442,138</u>	<u>\$ -</u>	<u>\$ 3,442,138</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended October 31, 2023

Note 1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal award and state financial assistance programs of Two Rivers Water Reclamation Authority (the "Authority"). The Authority is defined in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other agencies is included on these schedules of expenditures of federal awards and state financial assistance.

Note 2. Summary of Significant Account Policies

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's financial statements.

Note 4. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports, where applicable.

Note 5. State Loans Outstanding

The Authority had outstanding state loan balances of \$5,127,733 as of October 31, 2023. The entire balance of outstanding state loans was owed to the New Jersey Infrastructure Bank.

Note 6. Indirect Costs

The Authority has elected not to use the 10% de minimus indirect cost rate as allowed by the Uniform Guidance and New Jersey OMB Circular 15-08.

**TWO RIVERS WATER RECLAMATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2023**

Part I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over financial reporting:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)? _____ Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

**TWO RIVERS WATER RECLAMATION AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
 FOR THE YEAR ENDED OCTOBER 31, 2023**

Section 1 - Summary of Auditors' Results (continued)

State Financial Assistance

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Internal Control over major programs:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? _____ Yes X No

Identification of major state programs:

State Grant/Project Number(s)	Name of State Program
S340 117-10a	NJ Environmental Infrastructure Bank Sewerage Facility Construction Cluster

**TWO RIVERS WATER RECLAMATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED OCTOBER 31, 2023**

Part II – Schedule of Financial Statement Findings

NONE

**Part III – Schedule of Federal Award and State Financial Assistance Findings and
Questioned Costs**

NONE

**TWO RIVERS WATER RECLAMATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED OCTOBER 31, 2023**

STATUS OF PRIOR YEAR FINDINGS

Financial Statement Findings:

Finding 2022-001 (Significant Deficiency):

The Authority's financial statement close process and procedures were not adhered to resulting in general ledger balances that did not agree to the following supporting records:

- Accounts receivable and accounts payable discrepancies;
- Debt balances not reconciled to the supporting records;
- Capitalization of encumbrances resulting in capital asset discrepancies

Initial Year of Finding:

October 31, 2022

Federal/State Program Information:

Not applicable.

Condition:

The Authority is undertaking several capital projects with various funding sources. Due to the addition of new projects, the Authority's general ledger required journal entries to correct account balances, which were mostly attributable to the addition of these new projects and funding sources.

Current Year Status:

This finding was corrected for the year ended October 31, 2023.

Corrective Action Taken:

Management and the governing body reviewed the policies and internal controls that were in place to ensure the financial statement close is performed in accordance with Generally Accepted Accounting Principles and are functioning as intended by the governing body. Where the policies and procedures were found to be less than effective the Authority designed, implemented, and maintained revised policies and procedures (internal controls) in a manner that assured the monitoring and review functions are sufficient to assist management in its responsibility to prepare and present financial statements that are fairly stated and free of material misstatement due to fraud or error.

Other Information

TWO RIVERS WATER RECLAMATION AUTHORITY

ROSTER OF OFFICIALS

YEAR ENDED OCTOBER 31, 2023

UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Surety Bond</u>
Barry J. Berdahl, Ph. D	Chairman	A, B
Thomas B. Barham	Vice Chairman	A, B
Michael A. MacStudy	Treasurer	A, B
Scott Hartman	Secretary	A
Richard N. Tocci	Assistant Treasurer	A
Jonathan Peters	Assistant Secretary	A
John Bonforte	Member	A
Gregory J. Christopher	Member	A
James F. Mazza	Member	A
Eric R. Jaeger	Member	A
Brian McPeak	Member	A
Jeanette Hoffman	Member	A
Michael A. Gianforte, P.E.	Executive Director	A, B, C
Birdsall and Laughlin, LLC	Attorney	
Paulus, Sokolowski & Sartor, LLC	Engineer	

Surety Coverages:

A. Municipal Excess Liability Joint Insurance Fund: Public Officials

Liability/Employment Practices. \$5,000,000 in the aggregate on claims made basis per member local unit for each fund year subject to a deductible and coinsurance. There is a combined POL/EPL \$5,000,000 per member annual aggregate.

B. Municipal Excess Liability Joint Insurance Fund: Public Officials Bond.

Blanket Bond All Employees \$50,000

C. Municipal Excess Liability Joint Insurance Fund: Excess Public Officials Bond.

\$950,000 in the aggregate to provide \$1,000,000 in coverage.

TWO RIVERS WATER RECLAMATION AUTHORITY

INSURANCE COVERAGE

YEAR ENDED OCTOBER 31, 2023

UNAUDITED

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one-year period expiring on January 1, 2024, payable semi-annually was in force during the period under audit. The following coverages were provided:

Commercial Property Package	\$	150,000,000
Other Coverages in Effect:		
Underground & Outfall Pipe		5,000,000
Mobile Equipment		5,000,000
Business Auto		10,000,000
Uninsured Motorists		15,000 / 30,000
Commercial General Liability		10,000,000
Public Official Liability		10,000,000
Boiler and Machinery		150,000,000
Crime Coverage		1,000,000
Worker's Compensation		Statutory
Environmental Liability - Third Party		1,000,000
Travel Accident Insurance (Commissioners)		500,000
Flood / Administration Building		500,000
Flood / Administration Building Contents		500,000
Flood / Locations Outside 100 Year Floodplain		10,000,000
Flood / Locations Inside 100 Year Floodplain		No Coverage

All of the insurance policies in force were examined. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Authority. Insurance coverages continued uninterrupted through the date of this report

**TWO RIVERS WATER RECLAMATION AUTHORITY
PROJECT ACTIVITY SCHEDULE
THROUGH YEAR ENDED OCTOBER 31, 2023
Unaudited**

Contract Number	Project	Account Number	Amount Billed to Customer Towns	Total Project Cost	Cost		
					Legal	Engineering	Construction
155A	Pump Station 12 Electrical Upgrades	104-004	\$ 266,676	\$ 349,112	\$ -	\$ 162,295	\$ 186,817
N/A	Pump Station Control Panels	104-005	11,781	51,566	-	-	51,566
N/A	Fort Monmouth Sewer Replacement	104-009	-	272,922	47,017	200,705	25,200
N/A	Little Silver Interceptor	104-011	134,420	134,420	-	-	134,420
181	Main Pump Station Replacement	104-014	-	12,333,418	94,786	5,041,200	7,197,432
179/184/185	Electrical Substation Repairs	104-018	34,100	209,246	-	4,700	204,546
183	RAS Pipe Reconstruction	104-019	229,712	563,606	-	71,717	491,889
182	Plant PLC Hardware	104-021	-	451,722	-	-	451,722
189	Pump Station 12	104-024	1,206,276	1,140,124	16,283	86,981	1,036,859
169A	Major Interceptor Rehab	104-025	-	1,862,003	20,438	-	1,841,564
195	Grinder Installation/Channel Grinder PS# 3, 5, 12 & 13	104-026	417,933	417,933	-	-	417,933
190	WAS Piping Replacement/Pump & Motor Repair	104-027	-	52,593	-	-	52,593
199	Odor Control System	104-028	2,602,816	2,825,739	4,413	436,211	2,385,115
203	Clarifier Rehabilitation	104-030	1,367,184	1,367,260	76	95,555	1,271,629
202A	Fort Const./Const Observation	104-032	-	6,316,674	-	536,835	5,779,839
N/A	EPS FEMA BRIC	104-033	141,096	564,384	-	564,384	-
N/A	Grit Classifier Rehabilitation	104-034	74,642	74,642	-	-	74,642
206	Phase 2 Oceanport Way	104-036	-	2,851,441	-	222,742	2,628,700
N/A	FMERA - Nurses Quarters	104-039	-	164,992	-	-	164,992
N/A	Fort Monmouth Projects - Legal	N/A	-	12,173	12,173	-	-
Totals			<u>\$ 6,486,635</u>	<u>\$ 32,015,969</u>	<u>\$ 195,187</u>	<u>\$ 7,423,323</u>	<u>\$ 24,397,459</u>

Note: This Project Activity Schedule includes all Projects in Excess of \$50,000 from Fiscal Year 2017 through Fiscal Year 2023.

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
FISCAL YEAR ENDED OCTOBER 31, 2023**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Two Rivers Water Reclamation Authority, County of Monmouth, New Jersey, for the fiscal year ended October 31, 2023, has been completed. The General Comments are herewith set forth:

Cash Balances

Cash and investment balances were reconciled with independent certifications obtained directly from the depositories.

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$44,000 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

The minutes indicate that bids were requested by public advertising and awarded by resolution for the various projects in the current fiscal year.

The minutes also indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

GENERAL COMMENTS (continued)

Payment of Claims and Purchase Order/Encumbrance Accounting System

Claims were examined on a test basis for the year under review. Compliance was adequate.

The Authority utilizes an encumbrance accounting system within its general ledger accounting system. This system provides for the development and implementation of accounting transactions that includes the capability to reflect the commitment of funds at the point of commitment.

A test of employees' compensation and payroll deductions for the year ended October 31, 2023 and for those employees tested, no exceptions were noted.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. In accordance with the Bond Resolution, Section 610, the Authority adopted annual operating budgets for the fiscal years ending October 31, 2023 and 2022.

Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. Corrective action has been taken on all prior year findings.

ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials and employees of the Authority, and the courtesies extended to us were greatly appreciated.

Very truly yours,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP