

TWO RIVERS WATER RECLAMATION AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED OCTOBER 31, 2024 AND 2023

**TWO RIVERS WATER RECLAMATION AUTHORITY
YEARS ENDED OCTOBER 31, 2024 AND 2023**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 4
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Management's Discussion and Analysis	5 - 11
 <u>BASIC FINANCIAL STATEMENTS</u>	
Statements of Net Position	12 - 13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15 - 16
Notes to Financial Statements	17 - 44
 <u>OTHER REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule I - Schedule of Authority's Proportionate Share of the Net Pension Liability – Public Employees' Retirement System	45
Schedule II – Schedule of Authority's Pension Contributions – Public Employees' Retirement System	46
Schedule III – Schedule of Authority's Proportionate Share of the Net OPEB Liability – State Health Benefits Local Government Retired Employees Plan	47
Schedule IV – Schedule of Authority's OPEB Contributions – State Health Benefits Local Government Retired Employees Plan	48

**TWO RIVERS WATER RECLAMATION AUTHORITY
YEARS ENDED OCTOBER 31, 2024 AND 2023**

TABLE OF CONTENTS (continued)

<u>SUPPLEMENTARY INFORMATION</u>	<u>Page</u>
Schedule V – Comparative Schedule of Revenues and Expenses Compared to Budget (Budgetary Basis)	49 - 52
Schedule VI - Schedule of Long-Term Revenue Bonds Payable	53
Schedule VII – Analysis of Capital Projects	54 - 55
<u>SINGLE AUDIT SECTION</u>	
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 <i>Government Auditing Standards</i>	56 - 57
Independent Auditors’ Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance	58 - 60
Schedule of Expenditures of Federal Awards	61
Schedule of Expenditures of State Financial Assistance	62
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	63
Schedule of Findings and Questioned Costs	64 - 66
<u>OTHER INFORMATION</u>	
Roster of Officials	67
Insurance Coverage	67
Project Activity Schedule	68
General Comments and Recommendations	69 - 70

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, 2024 and 2023, 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, 2024 and 2023, 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.

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.

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 24, 2025 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

Cranford, New Jersey
October 24, 2025

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, 2024 and 2023.

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 \$18,408,626 due to increases in net capital assets. Total liabilities and deferred inflows of resources increased by \$1,179,710 due mainly to an increase in NJIB temporary construction loans and the net OPEB Liability. Assets and deferred outflows exceeded liabilities and deferred inflows by \$102,878,296. This compares to 2023 where assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$85,649,380.

The Authority's Net Position of \$102,878,296 is comprised of the following:

- Net investment in capital assets of \$95,053,236, 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 \$11,610,659 from the prior year.

Capital Assets - Net	\$ 105,158,793
Add:	
NJIB Loan Drawdown Receivable	62,003
Less:	
Construction Loan - NJIB	(6,850,086)
Revenue Bonds Payable, Net of Unamortized Premium	(3,317,474)
Net Investment in Capital Assets	<u>\$ 95,053,236</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 of \$2,635,060 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 net position increased by \$5,618,257 mainly due to the change in net position, of \$17,228,916 offset by the increase in the net investment in capital assets of \$11,610,659.

Comparative Condensed Statements of Net Position

	2024	2023	2022	Increase (Decrease) 2024 to 2023	Increase (Decrease) 2023 to 2022
Total current assets	\$ 13,508,014	\$ 7,875,687	\$ 4,700,512	71.52%	67.55%
Total restricted assets	16,222,013	21,352,491	28,746,175	-24.03%	-25.72%
Capital assets, net	105,158,793	87,425,719	73,156,695	20.28%	19.50%
Deferred outflows of resources	4,435,576	4,261,873	2,627,675	4.08%	62.19%
Total Assets and Deferred Outflows of Resources	<u>\$ 139,324,396</u>	<u>\$ 120,915,770</u>	<u>\$ 109,231,057</u>	15.22%	10.70%
Total current liabilities payable from unrestricted assets	\$ 4,912,152	\$ 6,244,923	\$ 3,384,591	-21.34%	84.51%
Total current liabilities payable from restricted assets	9,446,295	5,621,502	11,141,171	68.04%	-49.54%
Unemployment claims reserve	64,055	64,055	64,055	0.00%	0.00%
Compensated absences payable	365,000	334,611	333,617	9.08%	0.30%
Net pension liability	5,059,626	5,713,327	5,813,561	-11.44%	-1.72%
Long term net OPEB liability	9,128,214	7,897,961	7,031,018	15.58%	12.33%
Long term obligations, net	2,631,804	3,317,473	2,240,583	-20.67%	48.06%
Deferred inflows of resources	4,838,954	6,072,538	6,332,080	-20.31%	-4.10%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 36,446,100</u>	<u>\$ 35,266,390</u>	<u>\$ 36,340,676</u>	3.35%	-2.96%
Total Net Position	<u>\$ 102,878,296</u>	<u>\$ 85,649,380</u>	<u>\$ 72,890,381</u>	20.12%	17.50%

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 restricted assets have increased because of an increase in the construction loan payable to the New Jersey Infrastructure Bank and reserve for developer's deposits.

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 decreased by \$206,848 or 3.08% while operating revenues from participating municipalities increased by \$526,807 or 8.63%. Total operating revenues increased by \$319,959 or 2.49% from 2023 levels.

Total operating expenses were higher in 2024 than 2023, mainly due to increases across the board except for lines and systems pumping station expenses. Total operating revenues less total operating expenses produced operating loss of \$330,531, which is less than 2023 operating income of \$128,946.

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

	2024	2023	2022	Increase (Decrease) 2024 to 2023	Increase (Decrease) 2023 to 2022
Total operating revenues	\$ 13,146,927	\$ 12,826,968	\$ 12,578,886	2.49%	1.97%
Operating expenses	9,529,494	8,866,121	8,383,555	7.48%	5.76%
Depreciation	3,947,964	3,831,901	3,632,839	3.03%	5.48%
Total operating expenses	13,477,458	12,698,022	12,016,394	6.14%	5.67%
Operating (loss) income	(330,531)	128,946	562,492	-356.33%	-77.08%
Nonoperating revenues (expenses), net	17,559,447	12,630,053	4,720,910	39.03%	167.53%
Change in Net Position	17,228,916	12,758,999	5,283,402	35.03%	141.49%
Total net position - beginning	85,649,380	72,890,381	67,606,979	17.50%	7.81%
Total net position - ending	\$ 102,878,296	\$ 85,649,380	\$ 72,890,381	20.12%	17.50%

Comparative Statements of Cash Flows

The net increase in cash and cash equivalents was \$2,153,157 in 2024. This compares to a net decrease in cash and cash equivalents in 2023 of \$6,302,889. The main reason for the 2024 increase in cash is due to the net cash used by capital and related financing activities offset with net cash provided by operating, investing and financing activities.

Debt Administration

As of October 31, 2024, the Authority had \$18,227,641 of long-term liabilities. Of this amount, \$365,000 is for compensated absences, \$64,055 is for an unemployment claims reserve, \$3,242,946 is for revenue bonds payable, \$74,527 represents unamortized bond premiums, \$9,421,487 is for the net OPEB liability and \$5,059,626 relates to the net pension liability. As of October 31, 2023, the Authority had \$18,320,369 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 2024 to fund the major interceptor rehabilitation. See Note 4 to the basic financial statements for additional information.

Capital Assets

As of October 31, 2024 and 2023, the Authority had \$105,158,793 and \$87,425,719 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 2024 budget. Total revenues were more than budgeted by \$636,242 mostly due to revenues from customer municipalities and interest on investments being higher than expected. Total operating expenses were less than the budget by \$992,999 while other costs funded by operating activities were less than the budget by \$1,135,294. Total expenses were less than budgeted by \$2,128,293.

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
Jason McCullough, Member
Christopher York, Member
Brian McPeak, Member
James Mazza, Member

Management of the Authority

The Executive Director of the Two Rivers Water Reclamation Authority, Dennis J. Galvin, manages the daily operations of the Authority. He oversees a staff of 35 and a 2024 budget of \$14.0 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:

Dennis J. Galvin, Executive Director/Capital Projects Coordinator
Michael Gianforte, Executive Director (through 10/31/2024)
Brian Rischman, Engineering Manager/Deputy Executive Director
Lauren Lechner, Engineering Manager
Johnny Rodriguez, Jr., Financial Manager

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 8,104,686	\$ 4,201,165
Inventory	45,838	45,631
Sewer Billings Receivable	2,036,764	2,132,193
Intergovernmental Accounts Receivable - Federal	3,320,726	1,496,698
Total Current Assets	<u>13,508,014</u>	<u>7,875,687</u>
RESTRICTED ASSETS		
Revenue fund - Unemployment cash and cash equivalents	105,880	101,276
Escrow deposits: Cash and cash equivalents	2,077,570	3,848,684
Member Town deposits: Cash and cash equivalents	446,344	19,375
Bond service account: Cash and cash equivalents	6,627	5,684
Bond reserve account: Cash and cash equivalents	417,112	422,659
General account: Cash and cash equivalents	8,639,980	11,703,091
General account: Investments	222,867	222,846
Construction account: Cash and cash equivalents	2,717,993	40,814
Construction account: NJIB Drawdown Receivable	62,003	3,442,138
Renewal and replacement account: Cash and cash equivalents	1,525,637	1,545,924
Total Restricted Assets	<u>16,222,013</u>	<u>21,352,491</u>
NONCURRENT ASSETS		
Capital Assets - Non-depreciable	34,134,329	23,943,923
Capital Assets - Net of depreciation	<u>71,024,464</u>	<u>63,481,796</u>
Total Noncurrent Assets	<u>105,158,793</u>	<u>87,425,719</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	369,737	403,879
OPEB deferrals	4,065,839	3,857,994
Total Deferred Outflows of Resources	<u>4,435,576</u>	<u>4,261,873</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 139,324,396</u></u>	<u><u>\$ 120,915,770</u></u>

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
OCTOBER 31, 2024 AND 2023

	2024	2023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 3,306,907	\$ 4,632,269
Accrued Expenses	103,917	206,187
Customer Overpayments	116,981	107,336
Unearned Revenue	1,091,074	971,858
Net OPEB Liability - Current Portion	293,273	327,273
Total Current Liabilities payable from Unrestricted Assets	<u>4,912,152</u>	<u>6,244,923</u>
Reserve for Developers' Deposits	1,891,371	1,494,526
Accrued Interest on Bonds Payable	19,169	19,169
NJIB Temporary Construction Loan	6,850,086	3,442,138
Revenue Bonds Payable - Current Portion	685,669	665,669
Total Current Liabilities payable from Restricted Assets	<u>9,446,295</u>	<u>5,621,502</u>
NONCURRENT LIABILITIES		
Net Pension Liability	5,059,626	5,713,327
Long-term Net OPEB Liability	9,128,214	7,897,961
Long-term Revenue Bonds Payable, net	2,631,804	3,317,473
Unemployment Claims Reserve	64,055	64,055
Compensated Absences Payable	365,000	334,611
Total Noncurrent Liabilities	<u>17,248,699</u>	<u>17,327,427</u>
Total Liabilities	31,607,146	29,193,852
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	650,584	517,880
OPEB deferrals	4,188,370	5,554,658
Total Deferred Inflows of Resources	<u>4,838,954</u>	<u>6,072,538</u>
NET POSITION		
Net Investment in Capital Assets	95,053,236	83,442,577
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)	2,635,060	(2,983,197)
Total Net Position	<u>102,878,296</u>	<u>85,649,380</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 139,324,396</u></u>	<u><u>\$ 120,915,770</u></u>

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS
ENDED OCTOBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Customer Municipalities - Annual Charges	\$ 6,515,074	\$ 6,721,922
Participating Municipalities - Service Charges	<u>6,631,853</u>	<u>6,105,046</u>
Total Operating Revenues	13,146,927	12,826,968
OPERATING EXPENSES		
Administration and General	1,713,729	1,347,591
Treatment Plant and Main Pumping Station	6,098,911	6,097,301
Lines and System Pumping Stations	1,716,854	1,421,229
Depreciation	<u>3,947,964</u>	<u>3,831,901</u>
Total Operating Expenses	13,477,458	12,698,022
NET OPERATING (LOSS) INCOME	(330,531)	128,946
NONOPERATING REVENUES/(EXPENSES)		
Interest on Bonds	(80,975)	(66,310)
Interest Income	1,046,364	968,795
Federal Grants	16,136,057	11,204,984
State Appropriation	16,500	164,992
Connection Fees	409,535	402,402
Bond Issuance Costs	-	(65,795)
Miscellaneous Income	<u>31,966</u>	<u>20,985</u>
Total Nonoperating Revenues/(Expenses)	17,559,447	12,630,053
CHANGES IN NET POSITION	17,228,916	12,758,999
Net Position - Beginning of Year	<u>85,649,380</u>	<u>72,890,381</u>
NET POSITION - END OF YEAR	<u><u>\$ 102,878,296</u></u>	<u><u>\$ 85,649,380</u></u>

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members and Customers	\$ 13,242,149	\$ 13,600,738
Payments to Employees	(5,990,849)	(5,809,353)
Payments to Suppliers	<u>(5,671,762)</u>	<u>(1,322,473)</u>
Net Cash Provided by Operating Activities	<u>1,579,538</u>	<u>6,468,912</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(21,681,038)	(18,100,925)
Proceeds from Loan Issuance, Net Loan Issuance Costs	6,788,083	1,822,770
Federal Grants	14,312,029	10,086,615
State Appropriation	16,500	164,992
Repayment of Revenue Bonds Payable	(647,649)	(371,766)
Repayment of NJIB Temporary Construction Loan	-	(1,844,762)
Developer's Escrow Funds (Utilized or Returned)/Received	<u>396,845</u>	<u>(7,534,388)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(815,230)</u>	<u>(15,777,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	1,046,343	994,157
Interest Paid on Revenue Bonds	(98,995)	(88,876)
Redemption of Investment Securities	-	1,676,995
Net Cash Provided by Investing Activities	<u>947,348</u>	<u>2,582,276</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Connection Fees	409,535	402,402
Miscellaneous Income	<u>31,966</u>	<u>20,985</u>
Net Cash Provided by Noncapital Financing Activities	<u>441,501</u>	<u>423,387</u>
NET INCREASE (DECREASE) IN CASH	2,153,157	(6,302,889)
Cash - Beginning of Year	<u>21,888,672</u>	<u>28,191,561</u>
CASH - END OF YEAR	<u><u>\$ 24,041,829</u></u>	<u><u>\$ 21,888,672</u></u>

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF NET OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net (Loss) Operating Income	\$ (330,531)	\$ 128,946
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation	3,947,964	3,831,901
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Decrease/(Increase) in Receivables and Other Assets - Unrestricted	95,222	773,770
Increase in Current Liabilities - Payable from Unrestricted Assets	(1,400,279)	2,758,678
Increase/(Decrease) in Other Liabilities and Deferrals:		
Other Liabilities	159,250	(15,430)
Accounts Payable - Pension	(27,353)	55,205
Net Pension Liability	(653,701)	(100,234)
Net OPEB Liability	1,196,253	929,816
Deferred Outflow - Pension Deferrals	34,142	146,198
Deferred Outflow - OPEB Deferrals	(207,845)	(1,780,396)
Deferred Inflow - Pension Deferrals	132,704	(610,627)
Deferred Inflow - OPEB Deferrals	(1,366,288)	351,085
Net Cash Provided by Operating Activities	<u><u>\$ 1,579,538</u></u>	<u><u>\$ 6,468,912</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted Cash and Cash Equivalents	\$ 8,104,686	\$ 4,201,165
Restricted Cash and Cash Equivalents	15,937,143	17,687,507
	<u><u>\$ 24,041,829</u></u>	<u><u>\$ 21,888,672</u></u>

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

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, 2024 and 2023

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 increased its standard sewer service charge from \$360 to \$400 for the year. 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, 2024 or 2023, respectively.

Inventories:

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At October 31, 2024 and 2023, the value of the inventory, not held for resale, consisting of diesel fuel on hand, was \$45,838 and \$45,631, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

1. Summary of Significant Accounting Policies - (Continued)

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

Capital Assets:

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, 2024 and 2023

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 assets, deferred outflows of resources, liabilities and deferred inflows of resources and revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Adopted and Upcoming Pronouncements

Recently Adopted Pronouncements

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 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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

1. Summary of Significant Accounting Policies - (Continued)

F. Adopted and Upcoming Pronouncements – (Continued)

Upcoming Pronouncements

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.

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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

1. Summary of Significant Accounting Policies - (Continued)

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 2023 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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

1. Summary of Significant Accounting Policies - (Continued)

J. Subsequent Events

Management has reviewed and evaluated all events and transactions occurring from October 31, 2024 through the date of the financial statements were available for issuance, October __, 2025, 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.

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, 2024, the carrying amount of the Authority's deposits was \$24,041,829 and the bank balance was \$24,073,157. Of the bank balance, \$750,000 was insured with the Federal Deposit Insurance Corporation, \$21,494,587 was covered by GUDPA and \$1,828,570 was uninsured. 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 the Federal Deposit Insurance Corporation, \$17,684,309 was covered by GUDPA and \$3,599,683 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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

2. Deposits and Investments - (Continued)

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.

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, 2024 and 2023, the Authority's investments consisted of a Certificate of Deposit.

Credit Risk – GASB 40 requires credit risk disclosure for all debt security investments except for obligations of the U.S. government. The Authority did not have debt security investments as of October 31, 2024 and 2023.

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, 2024 and 2023.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

2. Deposits and Investments - (Continued)

Description of Investment	Interest Rates	Balance as of October 31, 2024
Certificate of Deposit	Variable	222,867
Grand Total		<u>\$ 222,867</u>

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

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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

2. Deposits and Investments - (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of October 31, 2024 and 2023:

		Assets at Fair Value as of October 31, 2024	
		Level 2	Total
Held to maturity securities:			
Certificate of Deposit		222,867	222,867
Total		<u>\$ 222,867</u>	<u>\$ 222,867</u>
		Assets at Fair Value as of October 31, 2023	
		Level 2	Total
Held to maturity securities:			
Certificate of Deposit		222,846	222,846
Total		<u>\$ 222,846</u>	<u>\$ 222,846</u>

As of October 31, 2024 and 2023, all investments have a maturity date of less than one year.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

3. Capital Assets

The following schedule is a summarization of the changes in capital assets for the years ended October 31, 2024 and 2023.

October 31, 2024

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 22,006,802	\$ 21,935,290	\$ (11,744,884)	\$ 32,197,208
Land	1,937,121	-	-	1,937,121
Total capital assets, not being depreciated	<u>23,943,923</u>	<u>21,935,290</u>	<u>(11,744,884)</u>	<u>34,134,329</u>
Capital assets, being depreciated:				
Buildings and improvements	15,617,465	-	-	15,617,465
Other improvements	76,212,266	-	-	76,212,266
Sewer mains and interceptors	34,711,184	-	10,507,259	45,218,443
Pump stations	10,679,725	194,909	-	10,874,634
Other equipment	10,014,752	201,988	509,720	10,726,460
Vehicles	1,545,719	76,756	-	1,622,475
Total assets being depreciated	<u>148,781,111</u>	<u>473,653</u>	<u>11,016,979</u>	<u>160,271,743</u>
Accumulated depreciation	<u>(85,299,315)</u>	<u>(3,947,964)</u>	<u>-</u>	<u>(89,247,279)</u>
Total capital assets, being depreciated, net	<u>63,481,796</u>	<u>(3,474,311)</u>	<u>11,016,979</u>	<u>71,024,464</u>
Net capital assets	<u>\$ 87,425,719</u>	<u>\$ 18,460,979</u>	<u>\$ (727,905)</u>	<u>\$ 105,158,793</u>

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, 2024 and 2023

4. Long-term Liabilities

During the year ended October 31, 2024, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds payable	\$ 3,890,595	\$ -	\$ 647,649	\$ 3,242,946
Unamortized premium	92,547	-	18,020	74,527
	<u>3,983,142</u>	<u>-</u>	<u>665,669</u>	<u>3,317,473</u>
Unemployment claims reserve	64,055	-	-	64,055
Compensated absences	334,611	30,389	-	365,000
Sub-total	<u>4,381,808</u>	<u>30,389</u>	<u>665,669</u>	<u>3,746,528</u>
Net OPEB liability	8,225,234	1,196,253	-	9,421,487
Net pension liability	<u>5,713,327</u>	<u>-</u>	<u>653,701</u>	<u>5,059,626</u>
Total	<u>\$ 18,320,369</u>	<u>\$ 1,226,642</u>	<u>\$ 1,319,370</u>	<u>\$ 18,227,641</u>
Current Portion	<u>\$ 992,942</u>			<u>\$ 978,942</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
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	<u>5,813,561</u>	<u>-</u>	<u>100,234</u>	<u>5,713,327</u>
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>

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 \$250,000 to \$320,000. Interest rates range from 2.25% to 2.5%.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

4. Long-term Liabilities – (Continued)

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 \$592,946 as of October 31, 2024. The remaining “Trust” portion matures annually on August 1 each year, with maturities ranging from \$220,000 to \$240,000. The “Trust” portion of the Bond Issue matures August 1, 2027 and has a balance of \$690,000 as of October 31, 2024. 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.

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, 2024, the interest rate on the loan was 0.368%. The cumulative drawdowns and balance on this construction loan totaled \$6,850,086 as of October 31, 2024.

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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

4. Long-term Liabilities – (Continued)

Aggregate long-term debt outstanding is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	285,000	22,269	307,269
2030-2031	<u>620,000</u>	<u>23,500</u>	<u>643,500</u>
	<u><u>\$ 3,242,946</u></u>	<u><u>\$ 265,143</u></u>	<u><u>\$ 3,508,089</u></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 \$365,000 and \$334,611 as of October 31, 2024 and 2023, respectively.

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

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

6. Pension Plans – (Continued)

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.

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 2024 and 2023 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, 2024, 2023 and 2022 were \$506,676, \$527,191 and \$485,786, respectively, equal to the required contributions for each year.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

6. Pension Plans – (Continued)

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, 2024 and 2023, the Authority reported a liability of \$5,059,626 and \$5,713,327, respectively, for its proportionate share of the net pension liability. The October 31, 2024 net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2023, which was rolled forward to June 30, 2024. 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, 2024, the Authority's proportion was 0.0372358622 percent, which was a decrease of 0.0022089001 percent from its proportion measured as of June 30, 2023 of 0.0394447623 percent. For the years ended October 31, 2024 and 2023, the Authority recognized full accrual pension benefit of \$(514,208) and \$(509,457), respectively, in the financial statements.

At October 31, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 6,286	\$ 57,567
Net difference between projected and actual investment earnings on pension plan investments		234,601
Changes in proportion	93,205	344,946
Difference between expected and actual experience	101,354	13,470
Authority contributions subsequent to the measurement date	168,892	-
	<u>\$ 369,737</u>	<u>\$ 650,584</u>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

6. Pension Plans – (Continued)

	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	-
	<u>\$ 403,879</u>	<u>\$ 517,880</u>

For the year ended October 31, 2024, \$168,892 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
2025	\$ (312,316)
2026	124,511
2027	(139,059)
2028	(119,074)
2029	(3,801)
Total	<u>\$ (449,739)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. 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 actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

<u>June 30 2024 and 2023</u>	
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, 2024 and 2023

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, 2023 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, 2024 and 2023) 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, 2024 and 2023 are summarized in the following tables:

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

6. Pension Plans - (Continued)

2024		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%
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%

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

6. Pension Plans - (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024 and June 30, 2023. 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, 2024 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:

June 30, 2024

	At 1% Decrease	At Current Discount Rate (7.00%)	At 1% Increase
PERS	\$6,722,999	\$ 5,059,626	\$3,644,105

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:

June 30, 2023

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

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

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, 2024 and 2023 were \$37,740,650,902 and \$34,831,652,936, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2024 and 2023 was \$29,413,070,105 and \$27,400,438,440, respectively.

Additional Information

Collective balances of the Local Group at the end of the current measurement period, June 30, 2024 are as follows:

2024	
Collective deferred outflows of resources	\$ 1,079,580,780
Collective deferred inflows of resources	1,611,322,898
Collective net pension liability	13,702,423,985
Authority's Proportion	0.0372358622%

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 Local Group pension expense (benefit) for the Local Group for the measurement period ended June 30, 2024 and 2023 was \$372,160,096 and \$(79,181,803), respectively. The average of the expected remaining service lives of all plan members is 5.08, 5.08, 5.04, 5.13, 5.16 and 5.21 years for the 2024, 2023, 2022, 2021, 2020, and 2019 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, 2024 and 2023

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, 2024 and June 30, 2023 are \$1,393,655,054 and \$1,354,892,653, 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, 2024 was \$61,435,556. The portion of that contribution allocated to the Authority in 2024 was \$16,312 or 0.0374078945%. The June 30, 2024 State special funding situation pension expense of \$53,698,726 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 \$114,378,189 at June 30, 2024 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 \$16,312 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, 2024 and 2023

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, 2024 and 2023, the Authority reported a liability of \$9,421,487 and \$8,225,234, respectively for its proportionate share of the net OPEB liability. The net OPEB liability as of October 31, 2024 was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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 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, 2024 and 2023, the Authority's proportion was 0.052618 and 0.054811 percent, respectively.

For the years ended October 31, 2024 and 2023, the Authority recognized an OPEB benefit of \$(377,880) and \$(499,495). At October 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes between expected and actual experience	\$ 477,132	\$ 1,596,324
Changes of assumptions	1,575,094	1,563,907
Changes in proportion	2,013,613	1,023,874
Net difference between projected and actual investment earnings on OPEB plan investments		4,265
	<u>\$ 4,065,839</u>	<u>\$ 4,188,370</u>

For the year ended October 31, 2023, the Authority recognized OPEB expense of \$(499,495). At October 31, 2023, the Authority reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
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>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

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
2025	\$ (387,727)
2026	(75,795)
2027	144,641
2028	(62,270)
2029	(17,215)
Thereafter	<u>275,835</u>
Total	<u>\$ (122,531)</u>

Discount Rate

The discount rate for June 30, 2024 and 2023 was 3.93% and 3.65%, 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, 2024 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, 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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 7.50% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long-term trend rate after nine 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, 2024 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.93%)	June 30, 2024 At Discount Rate (3.93%)	1% Increase (4.93%)
Total Net OPEB Liability	\$ 20,857,914,273	\$ 17,905,445,505	\$ 15,540,780,410
Authority's Share	\$ 10,975,017	\$ 9,421,487	\$ 8,177,248

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 trend 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

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2024 and 2023

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, 2024 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	1% Decrease	June 30, 2024 Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$ 15,144,352,142	\$ 17,905,445,505	\$ 21,455,435,620
Authority's Share	\$ 7,968,655	\$ 9,421,487	\$ 11,289,421

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:

	1% Decrease	June 30, 2023 Healthcare Cost Trend Rate	1% Increase
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

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, 2023 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, 2022 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, 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2024, 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, 2024 and 2023

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, 2024 and 2023

12. Restrictions on Net Position

Certain portions of net position have been restricted. Restrictions as of October 31, 2024 and 2023 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

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

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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability (asset) - Local Group	0.037236%	0.039445%	0.038522%	0.038596%	0.040019%	0.040235%	0.039009%	0.038096%	0.034481%	0.036721%
Authority's proportionate share of the net pension liability (asset)	\$ 5,059,626	\$ 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
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
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.67%	193.00%	210.78%	163.27%	222.93%	255.53%	282.52%	345.57%	418.97%	333.20%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	68.22%	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%

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, 2023 and June 30, 2024.

**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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 506,676	\$ 527,191	\$ 485,786	\$ 452,008	\$ 437,793	\$ 392,687	\$ 389,301	\$ 356,766	\$ 306,321	\$ 315,702
Contributions in relation to the contractually required contribution	(506,676)	(527,191)	(485,786)	(452,008)	(437,793)	(392,687)	(389,301)	(356,766)	(306,321)	(315,702)
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	\$ 3,052,139	\$ 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
Contributions as a percentage of covered-employee payroll	16.60%	17.78%	16.41%	16.39%	15.63%	13.41%	13.72%	13.12%	11.94%	12.95%

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

	2024	2023	2022	2021	Year Ended June 30,		2018	2017	2016	2015
					2020	2019				
Authority's proportion of the net OPEB liability (asset)	0.0526180000%	0.0548110000%	0.0451740000%	0.0483190000%	0.0460650000%	0.0438160000%	0.463800000%	0.0467040000%	0.0537190000%	N/A
Authority's proportionate share of the net OPEB liability (asset)	\$ 9,421,487	\$ 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
Authority's covered-employee payroll	\$ 3,052,139	\$ 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
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	308.68%	277.85%	264.51%	310.57%	282.40%	209.20%	267.09%	371.56%	478.63%	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,										
	2024	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>	<u>\$ -</u>
Authority's covered payroll	\$ 3,052,139	\$ 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%	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, 2024 and 2023**

	For the year ended October 31, 2024				For the year ended October 31, 2023			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Revenues from Customer Municipalities and Government Facilities:								
Eatontown	\$ 6,290,000	\$ 6,290,000	\$ 1,652,325		\$ 5,685,595	\$ 5,685,595	\$ 1,829,209	
Tinton Falls			1,076,897				1,201,826	
Red Bank			1,552,534				1,546,743	
Rumson			1,557,682				1,582,107	
Sea Bright			444,528				373,047	
Township of Shrewsbury			231,108				188,990	
	6,290,000	6,290,000	6,515,074	\$ 225,074	5,685,595	5,685,595	6,721,922	\$ 1,036,327
Service Charges:								
Individual Billings Member Towns	6,693,550	6,693,550	6,631,853	(61,697)	5,935,000	5,935,000	6,105,046	170,046
Interest on Investments	305,000	305,000	1,046,364	741,364	300,000	300,000	968,795	668,795
Other Fees:								
Connection Charges	685,000	685,000	409,535	(275,465)	480,000	480,000	402,402	(77,598)
Miscellaneous Income	25,000	25,000	31,966	6,966	25,000	25,000	20,985	(4,015)
	710,000	710,000	441,501	(268,499)	505,000	505,000	423,387	(81,613)
TOTAL REVENUES	13,998,550	13,998,550	14,634,792	636,242	12,425,595	12,425,595	14,219,150	1,793,555
EXPENSES:								
Administrative and General Expenses:								
Administrative Salaries and Wages	837,276	837,276	788,269	49,007	718,000	718,000	611,360	106,640
Employee Benefits	180,000	180,000	195,876	(15,876)	170,000	170,000	161,411	8,589
FICA and Medicare	50,000	50,000	44,847	5,153	50,000	50,000	45,922	4,078
Employee Medical Related	2,000	2,000	3,923	(1,923)	2,000	2,000	3,341	(1,341)
Pension PERS	490,000	490,000	527,191	(37,191)	400,000	400,000	485,786	(85,786)
Billing Expenses:								
Computer Service	42,815	42,815	86,138	(43,323)	41,703	41,703	66,465	(24,762)
Billing Postage	27,000	27,000	13,710	13,290	28,000	28,000	25,464	2,536
Bank Fees	1,000	1,000	51,356	(50,356)	20,000	20,000	54,819	(34,819)
Office Expenses:								
Other Postage	5,000	5,000	45,380	(40,380)	4,500	4,500	3,248	1,252
Stationary and Supplies	15,000	15,000	13,189	1,811	15,000	15,000	13,773	1,227
Equipment Rental and Supplies	35,000	35,000	13,685	21,315	25,000	25,000	23,460	1,540
Printing	4,000	4,000	352	3,648	7,000	7,000	652	6,348
Equipment Service Contracts	3,300	3,300	5,687	(2,387)	4,100	4,100	5,590	(1,490)
Telephone	14,220	14,220	23,215	(8,995)	14,100	14,100	19,632	(5,532)

**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, 2024 and 2023**

	For the year ended October 31, 2024				For the year ended October 31, 2023			
	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	\$ 7,764	\$ (1,764)	\$ 6,000	\$ 6,000	\$ 24,975	\$ (18,975)
Commissioners Conference	-	-	180	(180)	3,000	3,000	1,275	1,725
Travel Expenses	2,000	2,000	8,004	(6,004)	2,000	2,000	4,756	(2,756)
Motor Vehicle Fees	6,000	6,000	5,283	717	6,000	6,000	3,797	2,203
Auto and Fire Liability Business Insurance	206,000	206,000	226,014	(20,014)	190,000	190,000	203,749	(13,749)
Worker's Compensation Insurance	135,000	135,000	149,441	(14,441)	110,000	110,000	129,946	(19,946)
Advertising Fees	3,000	3,000	3,600	(600)	4,000	4,000	3,049	951
Dues and Membership	15,000	15,000	9,880	5,120	15,000	15,000	8,435	6,565
Subscriptions	200	200	30	170	200	200	30	170
Gift Baskets	500	500	699	(199)	500	500	269	231
Meeting Expenses	4,000	4,000	6,683	(2,683)	2,500	2,500	7,128	(4,628)
Equipment Renewal and Replacement	-	-	4,413	(4,413)	-	-	-	-
Leases of R.R. Property	300	300	279	21	300	300	-	300
Long Branch Sewerage Authority	4,000	4,000	4,048	(48)	4,000	4,000	4,048	(48)
Contingency	10,000	10,000	7,384	2,616	10,000	10,000	-	10,000
NJ Infrastructure Bank Admin Fees	2,800	2,800	-	2,800	-	-	-	-
Professional Expenses:								
Legal Fees	88,000	88,000	66,916	21,084	90,000	90,000	135,576	(45,576)
Engineering Fees	110,000	110,000	133,643	(23,643)	155,000	155,000	178,092	(23,092)
Trustee Fees	7,000	7,000	10,000	(3,000)	15,000	15,000	-	15,000
Auditors Fees	39,000	39,000	96,426	(57,426)	35,000	35,000	75,612	(40,612)
Investment Management Fees	36,000	36,000	36,000	-	36,000	36,000	36,000	-
Pre-Employment Physical Fees	500	500	-	500	500	500	1,063	(563)
Total Administrative and General Expenses	2,381,911	2,381,911	2,589,505	(207,594)	2,184,403	2,184,403	2,338,723	(154,320)
Treatment Plant and Main Pumping Expenses:								
Plant Salaries and Wages	2,425,000	2,425,000	2,280,430	144,570	2,420,000	2,420,000	2,309,784	110,216
Employee Benefits	600,000	600,000	691,321	(91,321)	590,000	590,000	617,799	(27,799)
FICA and Medicare	180,000	180,000	160,862	19,138	180,000	180,000	159,209	20,791
Other Treatment Plant Expenses:								
Conferences and Training	10,000	10,000	4,894	5,106	10,000	10,000	16,806	(6,806)
Electricity	1,200,000	1,200,000	799,144	400,856	900,000	900,000	871,316	28,684
Fuel - Diesel	80,000	80,000	45,182	34,818	80,000	80,000	47,178	32,822
Natural Gas	90,000	90,000	64,823	25,177	80,000	80,000	74,945	5,055
Sodium Hypochlorite	85,000	85,000	116,973	(31,973)	85,000	85,000	41,757	43,243
Polymer	175,000	175,000	194,680	(19,680)	150,000	150,000	199,800	(49,800)
Hydrogen Peroxide	90,000	90,000	35,216	54,784	95,000	95,000	53,261	41,739
Non Bulk Chemicals	3,000	3,000	12,921	(9,921)	-	-	(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, 2024 and 2023**

	For the year ended October 31, 2024				For the year ended October 31, 2023			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
Fuel - Unleaded	\$ 10,000	\$ 10,000	\$ 2,696	\$ 7,304	\$ 10,000	\$ 10,000	\$ 3,001	\$ 6,999
Truck Maintenance	65,000	65,000	102,102	(37,102)	60,000	60,000	74,790	(14,790)
DEP and EPA Permits	80,000	80,000	63,103	16,897	80,000	80,000	76,103	3,897
Calibration Services	21,005	21,005	22,995	(1,990)	18,405	18,405	21,631	(3,226)
Water	60,000	60,000	112,937	(52,937)	50,000	50,000	61,116	(11,116)
Stationary Supplies	1,000	1,000	898	102	-	-	5,449	(5,449)
Maintenance Supplies	50,000	50,000	27,571	22,429	50,000	50,000	47,342	2,658
Equipment Service Contracts	82,700	82,700	68,444	14,256	69,000	69,000	74,197	(5,197)
Equipment Repair	200,000	200,000	102,780	97,220	200,000	200,000	179,689	20,311
Uniforms and Gloves	15,000	15,000	12,617	2,383	15,000	15,000	7,883	7,117
Equipment Replacement	150,000	150,000	216,262	(66,262)	100,000	100,000	582,851	(482,851)
Sludge Removal	1,100,000	1,100,000	701,858	398,142	1,000,000	1,000,000	784,493	215,507
Ash, Grit, and Screenings	17,500	17,500	23,187	(5,687)	16,000	16,000	27,539	(11,539)
Laboratory Supplies	40,000	40,000	33,345	6,655	35,000	35,000	34,458	542
Outside Lab Fees	75,000	75,000	82,669	(7,669)	70,000	70,000	71,513	(1,513)
Municipal Services	40,000	40,000	40,000	-	35,000	35,000	40,000	(5,000)
Janitorial Supplies	10,000	10,000	9,155	845	10,000	10,000	6,568	3,432
Building and Ground Maintenance	100,000	100,000	124,878	(24,878)	75,000	75,000	111,199	(36,199)
Travel Expenses	100	100	153	(53)	-	-	677	(677)
Contingency	10,000	10,000	-	10,000	50,000	50,000	-	50,000
Plant Renewal and Replacement	-	-	16,435	(16,435)	-	-	12,542	(12,542)
New Equipment	90,000	90,000	27,273	62,727	80,000	80,000	169,202	(89,202)
Safety	87,500	87,500	117,603	(30,103)	45,000	45,000	115,219	(70,219)
Gift Baskets	500	500	-	500	-	-	-	-
Subscriptions	100	100	-	100	100	100	-	100
Penalties	20,000	20,000	-	20,000	20,000	20,000	-	15,000
Covid-19 Expenses	-	-	15,175	(15,175)	5,000	5,000	2,277	2,723
Total Treatment Plant and Main Pumping Expenses	7,263,405	7,263,405	6,330,582	932,823	6,683,505	6,683,505	6,899,269	(215,764)
Lines and System Pumping Station:								
Line Salaries and Wages	340,000	340,000	307,813	32,187	370,000	370,000	292,441	77,559
Employee Benefits	160,000	160,000	76,433	83,567	150,000	150,000	91,912	58,088
FICA and Medicare	20,000	20,000	21,796	(1,796)	20,000	20,000	21,435	(1,435)
Other Lines Expenses:								
Stationary and Supplies	500	500	54	446	500	500	760	(260)
Conferences and Training	2,000	2,000	675	1,325	2,000	2,000	1,075	925
Electricity	100,000	100,000	107,906	(7,906)	95,000	95,000	79,557	15,443
Fuel - Unleaded Gasoline	30,000	30,000	15,934	14,066	30,000	30,000	18,008	11,992
Fuel - Diesel	-	-	523	(523)	-	-	-	-
Equipment Service - Contracts	2,000	2,000	2,833	(833)	2,000	2,000	2,440	(440)
Truck Maintenance	10,000	10,000	12,315	(2,315)	10,000	10,000	8,668	1,332
Natural Gas	36,000	36,000	32,547	3,453	41,000	41,000	38,166	2,834
Hydrogen Peroxide	50,000	50,000	34,301	15,699	-	-	44,764	(44,764)
Nitrate Oxygen	-	-	-	-	45,000	45,000	69,651	(24,651)

**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, 2024 and 2023**

	For the year ended October 31, 2024				For the year ended October 31, 2023			
	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	\$ 16,540	\$ 8,460	\$ 25,000	\$ 25,000	\$ 20,973	\$ 4,027
Uniforms and Gloves	2,000	2,000	142	1,858	2,000	2,000	-	2,000
Buildings and Grounds Maintenance	35,000	35,000	10,654	24,346	30,000	30,000	73,481	(43,481)
Chemicals	-	-	3,334	(3,334)	-	-	-	-
Bioxide 71	200,000	200,000	160,983	39,017	145,000	145,000	177,338	(14,108)
Maintenance of Lines	300,000	300,000	143,121	156,879	250,000	250,000	239,714	10,286
Safety	25,000	25,000	9,134	15,866	10,000	10,000	2,262	7,738
Water	3,000	3,000	1,858	1,142	4,000	4,000	1,839	2,161
Meter Calibration	16,900	16,900	17,270	(370)	15,500	15,500	15,700	(200)
Communications Equipment	2,500	2,500	2,099	401	2,000	2,000	2,364	(364)
Equipment Repair	60,000	60,000	186,765	(126,765)	70,000	70,000	103,405	(33,405)
Equipment Replacement	90,000	90,000	75,724	14,276	75,000	75,000	212,509	(137,509)
Contingency	15,000	15,000	-	15,000	25,000	25,000	-	25,000
New Equipment	10,000	10,000	21,951	(11,951)	20,000	20,000	2,149	17,851
NJ DEP Permits	-	-	4,425	(4,425)	-	-	-	-
Total Lines and System Pumping Station Expenses	1,534,900	1,534,900	1,267,130	267,770	1,439,000	1,439,000	1,520,611	(81,611)
TOTAL OPERATING EXPENSES	11,180,216	11,180,216	10,187,217	992,999	10,306,908	10,306,908	10,758,603	(451,695)
OTHER COSTS FUNDED BY OPERATING REVENUES:								
Bond Principal	647,649	647,649	647,649	-	240,000	240,000	371,766	(131,766)
Interest on Bonds	96,269	96,269	80,975	15,294	56,919	56,919	66,310	(9,391)
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	1,863,918	1,863,918	728,624	1,135,294	1,416,919	1,416,919	438,076	978,843
TOTAL EXPENSES	13,044,134	13,044,134	10,915,841	2,128,293	11,723,827	11,723,827	11,196,679	527,148
BUDGETARY REVENUES OVER EXPENSES	\$ 954,416	\$ 954,416	\$ 3,718,951	\$ 2,764,535	\$ 701,768	\$ 701,768	\$ 3,022,471	\$ 2,320,703
Reconciliation of Budgetary Basis to Net Income:			Actual				Actual	
Budgetary revenues over expenses			\$ 3,718,951				\$ 3,022,471	
Adjustments to budgetary basis:								
Unbudgeted OPEB Benefit - GASB 75			377,880				499,495	
Unbudgeted Pension Benefit - GASB 68			514,208				491,639	
Depreciation expense			(3,947,964)				(3,831,901)	
Bond principal maturity			647,649				371,766	
Capital outlay expenditures			(234,365)				901,348	
Federal grant revenue			16,136,057				11,204,984	
State appropriation			16,500				164,992	
Bond issuance costs			-				(65,795)	
Total Adjustments			13,509,965				9,736,528	
GAAP Basis Change in Net Position			\$ 17,228,916				\$ 12,758,999	

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY**

**SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED OCTOBER 31, 2024**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturities</u>		<u>Interest Rate</u>	<u>Balance October 31, 2023</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance October 31, 2024</u>
		<u>Date</u>	<u>Amount</u>					
\$3,770,000 Series 2016 Revenue Bonds - To provide funds for improvements and upgrades to the wastewater treatment system.	3/31/2016	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%	\$ 2,205,000	\$ -	\$ 245,000	\$ 1,960,000
\$895,000 New Jersey Infrastructure Bank Trust Loan 2022A-2	12/22/2022	08/01/25	220,000	5.000%				
		08/01/26	230,000	5.000%				
		08/01/27	240,000	5.000%	895,000	-	205,000	690,000
\$922,361 New Jersey Infrastructure Bank Fund Loan 2022A-2	12/22/2022	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	131,765	-	790,595	-	197,649	592,946
TOTAL					<u>\$ 3,890,595</u>	<u>\$ -</u>	<u>\$ 647,649</u>	<u>\$ 3,242,946</u>
Current Portion					\$ 647,649			\$ 667,649
Long-Term Liability Revenue Bonds					3,242,946			2,575,297
Subtotal Revenue Supported Debt					3,890,595			3,242,946
Unamortized Bond Premium					92,547			74,527
TOTAL					<u>\$ 3,983,142</u>			<u>\$ 3,317,473</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
ANALYSIS OF CAPITAL PROJECTS
YEAR ENDED OCTOBER 31, 2024**

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Pump Stations		
	Grinder Install St 12	14,500
	St 12 Grinder Parts	15,780
	St 12 Pump Repair	34,840
	PS12 Grinder Parts	61,696
	Station 9 Install	29,860
	Station 11 Check Valves	28,233
	PS Paving Driveway	10,000
Total Pump Stations		<u>194,909</u>
Vehicles		
	Truck 4 Repairs	8,373
	Truck 5 Repairs	43,470
	Truck 7 Repairs	24,913
Total Vehicles		<u>76,756</u>
Other Equipment		
	Hypo Line Contact Chamber	11,292
	Sludge Storage Tank Sealing	22,588
	Main PS VFD and Parts	23,996
	Grinder Transfer Pump 1	77,582
	Non Pot Pump Replacements	38,367
	Grit Chamber Parts	9,773
	Replacement SCADAPack PLCs	18,390
Total Other Equipment		<u>201,988</u>

TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
ANALYSIS OF CAPITAL PROJECTS (continued)
YEAR ENDED OCTOBER 31, 2024

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Construction in Progress		
	Biofilter	\$ 285,400
	Main Pump Station Replacement	19,709,533
	Lateral Install/Paving	97,619
	Odor Control System	2,017
	Fort Const./Const. Obser. - Contract 202A (FMERA Project)	572,429
	EPS FEMA BRIC	19,936
	Station 8 Elimination	131,796
	Phase 2 Oceanport Way - Contract 206 (FMERA Project)	805,386
	ARC Flash Study	20,925
	Parcel 7&8 Fort Monmouth (FMERA Project)	24,045
	Riverside Collection System Project	5,550
	SCADA Project	23,024
	Heater Replacement	179,580
	Parcel 7&8 Construction (FMERA Project)	16,500
	Demolition of FMERA PS (FMERA Project)	15,500
	McAfee Sewer Lateral (FMERA Project)	11,250
	Authority Surveillance Cameras	14,800
Total Construction in Progress		<u>21,935,290</u>
Total		<u>\$ 22,408,943</u>
Detail:		
Additions to Construction in Progress		\$ 21,935,290
Current Year's Acquisitions		473,653
		<u>\$ 22,408,943</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, 2024, 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 24, 2025.

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
Cranford, New Jersey
October 24, 2025

**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, 2024. 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, 2024.

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.

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.

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

Cranford, New Jersey
October 24, 2025

TWO RIVERS WATER RECLAMATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2024

<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	\$ -	\$ 195,694
Hazard Mitigation Grant Program	97.039	2024 - Ongoing	Not Applicable	-	14,073,512
Building Resilient Infrastructure and Communities (BRIC)	97.047	2024 - Ongoing	Not Applicable	-	438,241
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	-	1,428,610
				<u>\$ -</u>	<u>\$ 16,136,057</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, 2024

<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 Pass-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	\$ 3,407,948	\$ -	\$ 6,850,086
Total State Financial Assistance			\$ 3,407,948	\$ -	\$ 6,850,086

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, 2024

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 \$8,133,032 as of October 31, 2024. 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, 2024**

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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant Program
<u>21.027</u>	<u>COVID-19 Coronavirus State and Local Fiscal Recovery Funds</u>

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, 2024

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, 2024**

Part II – Schedule of Financial Statement Findings

NONE

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

NONE

Other Information

TWO RIVERS WATER RECLAMATION AUTHORITY

ROSTER OF OFFICIALS

YEAR ENDED OCTOBER 31, 2024

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
Jason McCullough	Member	A
Christopher York	Member	A
Brian McPeak	Member	A
James Mazza	Member	A
Dennis J. Galvin	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
PROJECT ACTIVITY SCHEDULE
YEAR ENDED OCTOBER 31, 2024
Unaudited

Contract Number	Project	Account Number	Amount Billed to		Cost		
			Customer Towns	Total Project Cost	Legal	Engineering	Construction
155A	Pump Station 12 Electrical Upgrades	104-004	\$ 266,675.94	\$ 349,111.73	\$ -	\$ 162,294.56	\$ 186,817.17
N/A	Pump Station Control Panels	104-005	11,780.58	51,565.58	-	-	51,565.58
N/A	Bio Filter	104-008	285,400.00	285,400.00	-	400.00	285,000.00
N/A	Fort Monmouth Sewer Design Replacement	104-009	-	272,921.69	47,017.00	200,704.69	25,200.00
N/A	Little Silver Interceptor	104-011	134,420.10	134,420.10	-	-	134,420.10
181/200REBID	Main Pump Station Replacement	104-014	-	32,042,950.64	163,186.28	5,810,076.49	26,069,687.87
179/184/185	Electrical Substation Repairs	104-018	34,100.00	209,245.63	-	4,700.00	204,545.63
183	RAS Pipe Reconstruction	104-019	229,712.00	563,606.02	-	71,717.12	491,888.90
182	Plant PLC Hardware	104-021	-	451,722.17	-	-	451,722.17
189	Pump Station 12	104-024	1,206,275.66	1,140,123.52	16,283.22	86,980.89	1,036,859.41
169A	Major Interceptor Rehab	104-025	-	1,862,002.62	20,438.29	-	1,841,564.33
195	Grinder Installation/Channel Grinder PS# 3, 5, 12 & 13	104-026	417,933.00	417,933.00	-	-	417,933.00
190	WAS Piping Replacement/Pump & Motor Repair	104-027	-	52,593.00	-	-	52,593.00
199	Odor Control System	104-028	2,604,833.65	2,827,756.21	4,413.00	438,227.92	2,385,115.29
203	Clarifier Rehabilitation	104-030	1,367,183.72	1,367,259.72	76.00	95,554.97	1,271,628.75
202A	Fort Const./Const Observation	104-032	-	6,889,102.95	-	546,847.22	6,342,255.73
N/A	EPS FEMA BRIC	104-033	161,032.51	584,320.84	-	584,320.84	-
N/A	Grit Classifier Rehabilitation	104-034	74,642.00	74,642.00	-	-	74,642.00
N/A	Station 8 Elimination Ft Monmouth	104-035	131,796.12	131,796.12	-	99,577.24	32,218.88
206	Phase 2 Oceanport Way	104-036	-	3,656,826.96	-	278,754.55	3,378,072.41
N/A	FMERA - Nurses Quarters	104-039	-	164,992.43	-	-	164,992.43
N/A	Heater Replacement	104-042	179,580.00	179,580.00	-	5,355.00	174,225.00
N/A	Parcel 7 & 8 Construction - Fort Monmouth	104-043	-	16,499.92	-	11,746.84	4,753.08
217	Demolition of FMERA Pump Stations	104-044	-	15,500.00	-	15,500.00	-
N/A	Fort Monmouth Projects - Legal	N/A	-	25,070.00	25,070.00	-	-
Totals			\$ 7,105,365.28	\$ 53,766,942.85	\$ 276,483.79	\$ 8,412,758.33	\$ 45,077,700.73

Note: This Project Activity Schedule includes all Projects in Excess of \$50,000.00 from Fiscal Year 2017 through Fiscal Year 2024

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
FISCAL YEAR ENDED OCTOBER 31, 2024**

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, 2024, 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, 2024 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, 2024 and 2023.

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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP