



**Comprehensive Annual
Financial Report for the
Year Ended December 31, 2019**

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Manasquan River Regional Sewerage Authority

BOROUGH OF FARMINGDALE | BOROUGH OF FREEHOLD | TOWNSHIP OF FREEHOLD
TOWNSHIP OF HOWELL | TOWNSHIP OF WALL

BRIAN J. BRACH, P.E.
Executive Director

July 14, 2020

To the Board of Commissioners of the Manasquan River Regional Sewerage Authority:

The Comprehensive Annual Financial Report (CAFR) of the Manasquan River Regional Sewerage Authority (Authority) for the year ended December 31, 2019, is submitted herewith. Responsibility of the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority's management. The Authority's management certifies that:

- The data presented is accurate in all material respects.
- The report is presented in a manner designed to fairly set forth the results of operations of the Authority, as measured by the financial activity of its funds.
- The report fairly presents the financial position of the Authority for the year then ended.
- All disclosures necessary to enable the reader to gain a maximum understanding of the Authority's financial activities have been provided.

The following CAFR is presented in three (3) main sections:

- The **Introductory Section** provides information on the contents of the report, this transmittal letter and the Authority's organizational structure.
- The **Financial Section** includes the auditor's opinion, management discussion and analysis, basic financial statements and other supplemental information.
- The **Statistical Section** contains additional financial and general information generally presented on a multiyear basis.

PROFILE OF THE AUTHORITY

The Manasquan River Regional Sewerage Authority was originally created in May of 1972 by parallel ordinances of the five (5) member municipalities of Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township and Wall Township. The original purpose of the Authority was to provide for the regional conveyance and treatment of wastewater in the Manasquan River Basin and a portion of the Metedeconk Basin. Subsequent to the original creation of this Authority, it was determined by Federal and State officials that this Authority would become a collection and conveyance system only and transport its wastewater for treatment to the Ocean County Utilities Authority (OCUA).

The total area of coverage for this Authority is approximately 103-square miles and the Authority's Services Area presently consists of approximately 100,000-residents, including numerous commercial and industrial establishments.



ORGANIZATION OF STRUCTURE

The Authority consists of ten (10) Commissioners, who act as its Board of Directors. Each Member Municipality appoints two (2) of these Commissioners to staggered five (5)-year terms. The Commissioners annually select members to serve as Chairperson, Vice Chairperson, and Treasurer. The Chairperson, or in his or her absence, the Vice-Chairperson, presides over the Public Meetings, which are generally held once a month. The Secretary is responsible for the execution, witnessing and certification of various Authority documents. (Refer to Appendix A for the current roster of Commissioners).

The Commissioners are responsible for setting the policy for this Authority. The Commissioners also appoint an Executive Director, who acts as chief administrator to carry out the rules and policies enacted by the Commissioners. The Executive Director is responsible for the day-to-day affairs of the Authority and is responsible to the Commissioners for administering the policies established by them.

The Commissioners are also responsible for annually appointing an Authority Attorney, Engineer and Auditor, along with any other special counsels or consultants deemed appropriate and necessary. These Professionals report both to the Commissioners and to the Executive Director. (Refer to Appendix B for current list of professionals.)

Within the Authority, there are two (2) Divisions: the Administrative Division and the Operations Division. The Administrative Division is responsible for the preparation of all necessary Authority paperwork and documents, along with the day-to-day finances of the Authority and purchasing. Within the Administrative Division, a designated employee (typically the Executive Secretary or Finance Officer) is also responsible for attending the Authority's meetings and recording the minutes. Also, there is a Finance Officer responsible for the preparation of Authority documents as they pertain to the processing and payment of bills, payroll, receipt of monies due to the Authority and proper disposition. The Finance Officer also serves as the primary Human Resource contact, in cooperation and shared responsibility with the Executive Director. These Administrative Personnel report directly to the Executive Director.

The Operations Division is responsible for the day-to-day operation and maintenance of the physical facilities. The Operations Division is headed by the Superintendent, who reports directly to the Executive Director. (Refer to Appendix C for the current Authority organization chart).

LOCAL ECONOMY

The Authority's service area, which includes its five (5) Member Municipalities of Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township, and Wall Township, has historically been a fast growing area and is showing signs of recovery from the economic downturn during 2008-2009.

Monmouth County is located in east central New Jersey and contains a land area of approximately 469-square miles, which ranks fourth largest in the State. Its population in 2010 was 630,380, placing it fifth among New Jersey counties. With its relatively level topography, and with its only significant physical constraint the large areas covered by wetlands, the County was poised for rapid growth once the New York-Northern New Jersey "growth belt" expanded beyond Middlesex County.

The Authority service area primarily consists of residential housing with a major transportation spine, Route 9. Route 9 acts as a corridor to a large commuter base that is predominantly employed in the New York Metropolitan area. In addition to Route 9 being a transportation corridor, it is also recognized for shopping. This includes a large number of national chain box stores, strip malls and a large regional mall.

Freehold Borough is the county seat. It is located in the heart of western Monmouth County and hosts many professional offices. Freehold Township hosts an expanding medical facility, CentraState Healthcare System, and its associated services. The service area also has major manufacturing such as Nestle USA and light industry in different pockets throughout. There is a regional airport (Monmouth Executive) in Wall Township.

Over the course of the next few years, Wall Township is projected to host the greatest number of jobs at about 17,104, followed by Freehold Township at 16,000, Howell Township at 10,746, Freehold Borough at 10,026 and Farmingdale Borough at 250.

Table 1: At Place Employment, 1995-2020

	<u>1995</u>	<u>2005</u>	<u>2020</u>
Farmingdale Borough	225	250	250
Freehold Borough	9,030	10,026	11,401
Freehold Township	13,941	16,000	17,500
Howell Township	8,696	10,746	11,470
Wall Township	13,985	17,104	20,183
Service Area Total	45,877	54,126	60,804

The median household income in the Authority’s service area can be seen in the following table:

Table 2: Median Household Income, 2000 and 2010

	<u>2000</u>	<u>2010</u>
New Jersey	N/A	N/A
Monmouth County	\$73,263	\$73,263
Farmingdale Borough	\$62,086	\$63,191
Freehold Borough	\$48,654	\$52,000
Freehold Township	\$77,185	\$94,735
Howell Township	\$68,069	\$89,287
Wall Township	\$73,989	\$89,278

Source: 2000 and 2010 US Census

The Consumer Price Index for All Urban Consumers (CPI-U) in the New York-Northern New Jersey area (which includes Monmouth County) as measured for the year ended December 2019 increased 2.2% (12-month change)*.

*Source United States Department of Labor, Bureau of Labor Statistics

(https://www.bls.gov/regions/new-york-new-jersey/news-release/consumerpriceindex_newyorkarea.htm)

MAJOR INITIATIVES

The Authority funded and commenced a \$7,000,000 Capital Improvement Plan in 2013 to update key system components that are starting to meet the end of their useful life expectancies. These capital projects include the rehabilitation of the Route 9 Upper Force Main, improvements to the Upper Manasquan Pump Station Wet Well, replacement of force main air release valves on the lower system, upgrading chemical feed stations and an aggressive assessment of the Authority’s gravity interceptor lines.

During 2016-2017, the Authority completed the development of a more comprehensive, long-term, 15-year Capital Improvement Program (CIP). The CIP was developed as a mechanism for the Board to:

1. Identify and prioritize capital projects;
2. Develop project cost estimates for those projects;
3. Determine funding mechanisms available (ie: bond or pay-as-you-go);
4. Develop an aggressive CIP implementation schedule;
5. Develop financial models (to correlate capital expenditures to rate setting practices); and
6. Correlate the data to develop sound fiscal practices;
7. Ultimately create a fiscally resilient Authority.

The 15-year CIP is intended to be a “living” document and will act as a guideline for fiscal practices and Authority planning. Correlation of the budgetary model (completed during 2017) with the CIP model has provided the Board with valuable foresight during development of annual operating budgets. The Board has taken great strides over the past several years in identifying budgetary issues and addressing them appropriately. Development of the 15-year CIP is another example of the Board’s commitment to developing a fiscally resilient Authority. Resiliency is the product of a series of sound decisions. It is a goal that the Board recognizes and is striving to meet over the next decade and beyond.

Additionally, the Authority established a number of reserve funds for various specified purposes during September 2017. These reserve funds shall assist to provide resilience through contingencies, assist in achieving and maintaining a good standing with credit rating agencies, provide a means for investments, and offer a source of liquidity during times of revenue shortfalls. Funding of these reserve funds is the beginning of a larger financial planning initiative and it is the Authority’s goal to incrementally increase the various fund balances towards industry recommended funded levels.

The Board’s foresight has already paid dividends. Historically low wastewater flows were realized during 2017. In years past, this may have been an issue. However, the Board’s identification of a trend towards lower wastewater flows, which is the primary source of revenue for the Authority, was addressed with the decision to approve a 3.6% increase in the 2017 bulk rate. The result was strong financial performance even in a year of decreased revenues. This decision was driven by metrics and an eye toward future Authority needs, not politics, and is commensurate with the sound fiscal practices implemented by the Board.

The CIP has been aggressively progressing, with more than ten (10) projects and initiatives authorized by the Board during 2018 alone. Proactively addressing aging and ineffective infrastructure will continue to pay dividends moving into the future.

FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the Authority’s accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide Authority management with reasonable (but not absolute) assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition; and (b) the overall reliability of the financial records for preparing financial statements and maintaining accountability and control over the Authority’s assets.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgement by management.

Budgetary Control

Annually, appropriations are established by the Board of Commissioners to record the current year's fiscal requirements of the Authority. Portions of these appropriations are encumbered as purchase orders and/or contracts are awarded. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. To facilitate this determination, the Authority accounting records are delineated by function and specific activity.

Financial Operating Results

The management discussion and analysis that follows, summarizes and reviews the changes of the Authority's financial operations.

Cash and Investment Administration

The Authority's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. During 2019, the Authority continued to invest all funds in the higher yield money market accounts at Ocean First Bank. All investments are made in accordance with permitted investment vehicles as determined by the State of New Jersey.

RISK MANAGEMENT

The Authority continues to look to the New Jersey Utilities Authority Joint Insurance Fund (NJUAJIF) for its property and casualty insurance coverage. This fund has provided comprehensive and reliable coverage for many years. The relationship has also resulted in thousands of dollars in cost savings on premiums, plus many annual dividends being paid to the Authority.

The NJUAJIF coverage includes Employment Practices Liability Coverage (EPL) and Public Officials Liability Coverage (POL). There has also been the inclusion of extended Environmental Coverage as a result of the NJUAJIF becoming a member of the New Jersey Environmental Joint Insurance Fund (NJEJIF).

A comprehensive listing of the Insurance Coverage can be found on file in the Authority's offices.

OTHER INFORMATION

Independent Audit

The Authority is required to have an annual audit of the books of account, financial records, and transactions conducted by independent certified public accountants selected by the Board of Commissioners. This requirement has been complied with. The independent auditors' report on the 2019 financial statements of the Authority has been included in the financial section of this report.

Acknowledgement

The preparation of this report on a timely basis was made possible with the assistance of the following people:

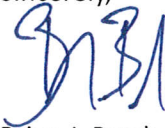
Donald F. Hill, CPA, Finance Officer

James H. Roe, IV, Superintendent

William E. Antonides, Jr., CPA, RMA, Consulting Accountant

In closing, preparation of the report would not have been possible without the leadership and support of the Board of Commissioners.

Sincerely,

A handwritten signature in blue ink, appearing to read 'B. Brach', is positioned above the printed name.

Brian J. Brach, P.E.
Executive Director



Manasquan River Regional Sewerage Authority

BOROUGH OF FARMINGDALE | BOROUGH OF FREEHOLD | TOWNSHIP OF FREEHOLD
TOWNSHIP OF HOWELL | TOWNSHIP OF WALL

BRIAN J. BRACH, P.E.
Executive Director

2019 MRRSA Board of Commissioners Appointments

BOARD OF COMMISSIONERS

James A. Daly, Farmingdale Borough
(February 1, 2016 thru January 31, 2021)

Michael J. Romano, Farmingdale Borough
(February 1, 2017 thru January 31, 2022)

Michael G. Wilson, Freehold Borough
(February 1, 2016 thru January 31, 2021)

Richard J. Gartz, Freehold Borough
(February 1, 2017 thru January 31, 2022)

Julisa Garcia, Freehold Township
(February 1, 2016 thru January 31, 2021)

A. Richard Gatto, Freehold Township
(February 1, 2017 thru January 31, 2022)

Stephen R. Johnson, Howell Township
(February 1, 2016 thru January 31, 2021)

Jesse J. Tantillo, Howell Township
(February 1, 2017 thru January 31, 2022)

Olga R. McKenna, Wall Township
(February 1, 2016 thru January 31, 2021)

Mary DeSarno, Wall Township
(February 1, 2017 thru January 31, 2022)

OCUA REPRESENTATIVE

Jesse J. Tantillo
(February 1, 2018 thru January 31, 2023)

2019 BOARD APPOINTMENTS

A. Richard Gatto (Chair)
Richard J. Gartz (Vice Chair)
Jesse J. Tantillo (Treasurer)
Olga R. McKenna (Secretary)
Donald F. Hill (Assistant Secretary)

ENGINEERING COMMITTEE

James A. Daly
Olga R. McKenna
Julisa Garcia
Stephen R. Johnson
Michael G. Wilson

EXECUTIVE COMMITTEE

Richard J. Gartz
A. Richard Gatto
Mary DeSarno
Michael J. Romano
Jesse J. Tantillo

Revised February 27, 2019





Manasquan River Regional Sewerage Authority

BOROUGH OF FARMINGDALE | BOROUGH OF FREEHOLD | TOWNSHIP OF FREEHOLD
TOWNSHIP OF HOWELL | TOWNSHIP OF WALL

BRIAN J. BRACH, P.E.
Executive Director

Appendix B: **2019 Authority Management**

Brian J. Brach, P.E., Executive Director
James H. Roe, IV, Superintendent
Donald F. Hill, CPA, Finance Officer

CONSULTANTS

McLaughlin, Stauffer & Shaklee, P.C.

Sonnenblick, Parker & Selvers, P.C.

Dasti, Murphy, McGuckin, Ulaky, Koutsoris & Connors

Davison Eastman Munoz, P.C.

GluckWalrath

Mott MacDonald

Greeley and Hansen

CME Associates

O'Brien & Gere

T&M Associates

Van Cleef Engineering

H2M Architects and Engineers

Conner Strong Companies, Inc.

Holman, Frenia, Allison, P.C.

Antonides & Simone, CPAs

NW Financial Group, LLC

POSITION

General Counsel

Conflict Counsel

Conflict Counsel

Conflict Counsel

Bond Counsel

Consulting Engineer/
Special Project Engineering Pool

Special Project Engineering Pool

Special Project Engineering Pool

Special Project Engineering Pool

Special Project Engineering Pool

Special Project Engineering Pool

Special Project Engineering Pool

Risk Management Consultant

Auditor

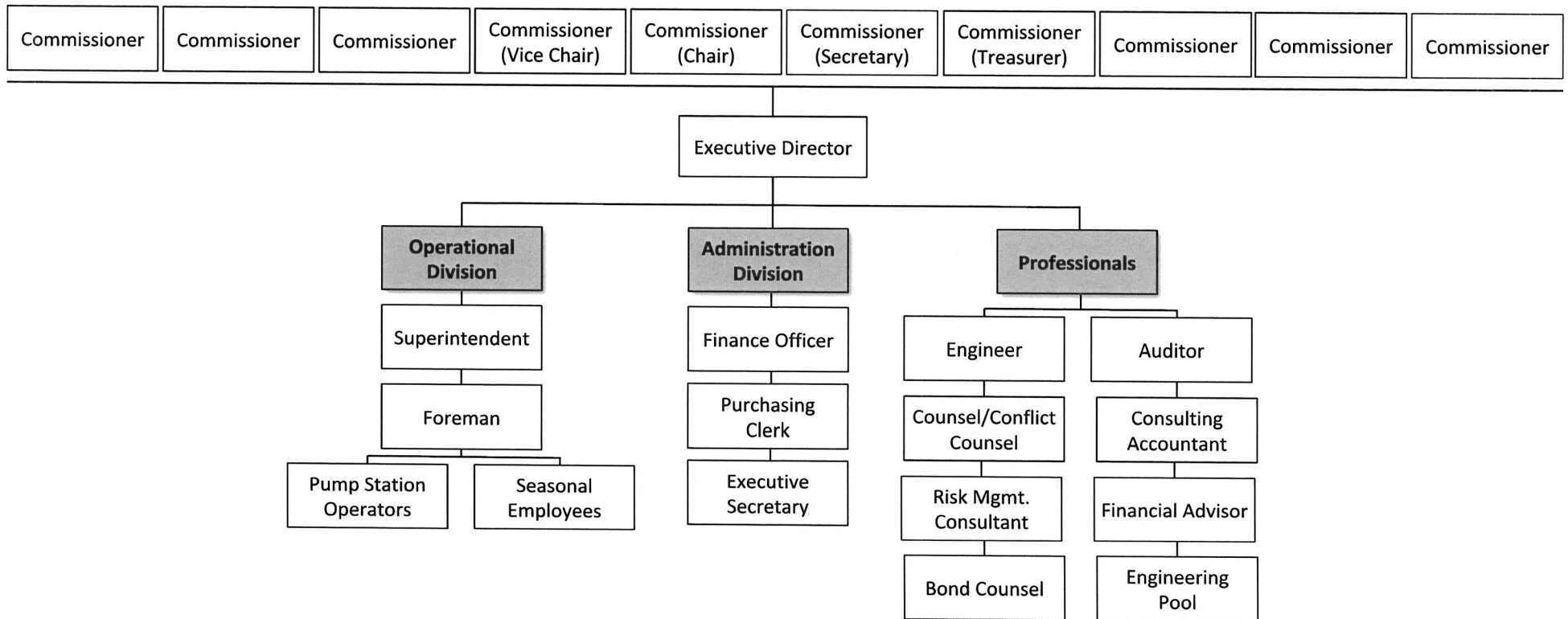
Consulting Accountant

Financial Advisor





**APPENDIX C:
MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
2019 ORGANIZATIONAL CHART**



INDEPENDENT AUDITOR'S REPORT

The Chairman and Commissioners
of Manasquan River Regional Sewerage Authority
Farmingdale, New Jersey 07727

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Manasquan River Regional Sewerage Authority, County of Monmouth, State of New Jersey, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Manasquan River Regional Sewerage Authority, as of December 31, 2019 and 2018, and the respective 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manasquan River Regional Sewerage Authority's basic financial statements. The accompanying schedule of revenues and appropriations compared to budget is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements. The other supplementary information, such as the analysis of accounts receivable – service fees and industrial surcharges and the schedule of sewer revenue bonds, are also presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The accompanying schedule of revenues and appropriations compared to budget, the analysis of accounts receivable – service fees and industrial surcharges and the schedule of sewer revenue bonds are the responsibility of management and were 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 accompanying schedule of revenues and appropriations compared to budget, the analysis of accounts receivable – service fees and industrial surcharges and the schedule of sewer revenue bonds are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020, on our consideration of the Manasquan River Regional Sewerage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Manasquan River Regional Sewerage Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Holman Frenia Allison".

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

July 14, 2020
Toms River, New Jersey



INDEPENDENT AUDITOR’S 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

The Chairman and Commissioners
of Manasquan River Regional Sewerage Authority
Farmingdale, NJ 07727

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 audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Manasquan River Regional Sewerage Authority (herein referred to as “ the Authority”), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated July 14, 2020.

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 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 the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 determination of financial statement amounts. 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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 results 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 Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectively Submitted,

A handwritten signature in black ink that reads "Holman Frenia Allison". The signature is written in a cursive, flowing style.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

July 14, 2020
Toms River, New Jersey

Management's Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the Authority's financial condition and operating results and to also inform the reader on Authority financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Transmittal Letter (beginning on page 1) and the Authority's basic financial statements (beginning on page 18).

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. As enterprise funds, the Authority's basic financial statements include:

- **Statements of net position** - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (Exhibit A)
- **Statements of revenues, expenses and changes in net position** - reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (Exhibit B)
- **Statements of cash flows** - reports the Authority's cash flows from operating activities, investing, capital and non-capital activities. (Exhibit C)

STATEMENTS OF NET POSITION

Years Ended December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets:			
Current Assets:			
Unrestricted	\$ 10,225,461	\$ 10,439,681	\$ 7,994,184
Restricted	1,412,534	1,542,267	1,634,212
Capital Assets, Net	<u>13,952,819</u>	<u>12,813,418</u>	<u>12,810,368</u>
Total Assets	<u>\$ 25,590,814</u>	<u>\$ 24,795,366</u>	<u>\$ 22,438,764</u>
Deferred Outflow of Resources	<u>\$ 862,258</u>	<u>\$ 1,213,317</u>	<u>\$ 1,226,146</u>
Liabilities:			
Current Liabilities:			
Unrestricted	\$ 1,309,287	\$ 2,011,284	\$ 1,611,851
Restricted	515,983	472,080	465,971
Non-Current Liabilities	<u>6,025,541</u>	<u>6,697,837</u>	<u>7,128,802</u>
Total Liabilities	<u>\$ 7,850,811</u>	<u>\$ 9,181,201</u>	<u>\$ 9,206,624</u>
Deferred Inflow of Resources	<u>\$ 1,743,633</u>	<u>\$ 1,915,637</u>	<u>\$ 1,840,911</u>
Net Position:			
Invested in Capital Fixed Assets, Net of Related Debt	\$ 10,821,185	\$ 9,482,349	\$ 9,215,349
Unrestricted	<u>6,037,443</u>	<u>5,429,496</u>	<u>3,402,026</u>
Total Net Position	<u>\$ 16,858,628</u>	<u>\$ 14,911,845</u>	<u>\$ 12,617,375</u>

STATEMENTS OF NET POSITION (CONTINUED)

The net position of the Authority increased to \$16,858,628 during 2019, a \$1,946,783 increase from 2018.

REVIEW OF REVENUES

Years Ended December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues:			
Service Charges	\$ 14,242,338	\$ 15,013,090	\$ 12,769,945
Connection Fees	292,559	618,668	577,474
Total Operating Revenues	<u>14,534,897</u>	<u>15,631,758</u>	<u>13,347,419</u>
Non-Operating Revenues:			
Gain on Sale Leaseback	41,194	41,194	41,194
Interest Revenue	255,655	86,946	48,816
Gain on Disposition of Assets	28,075	-	-
Insurance Proceeds	-	114,333	-
Other	254,495	111,783	157,680
Total Non-Operating Revenues	<u>579,419</u>	<u>354,256</u>	<u>247,690</u>
Total Revenues	<u>\$ 15,114,316</u>	<u>\$ 15,986,014</u>	<u>\$ 13,595,109</u>

In 2019, revenues decreased by \$871,698 when compared to 2018. The change in revenues was mainly attributable to a decrease in service charge receivables.

REVIEW OF EXPENSES

Years Ended December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Expenses:			
Personnel Services	\$ 1,632,460	\$ 1,615,020	\$ 1,595,654
Purchase of Services	9,776,547	10,393,741	8,904,020
Other Operating Expenses	934,584	767,835	638,956
Depreciation	708,570	647,026	562,134
Total Operating Expenses	<u>13,052,161</u>	<u>13,423,622</u>	<u>11,700,764</u>
Non-Operating Expenses:			
Loss on Disposal of Assets	-	27,758	-
Bond Interest Expense	115,372	125,877	135,572
Total Non-Operating Expenses	<u>115,372</u>	<u>153,635</u>	<u>135,572</u>
Total Expenses	<u>\$ 13,167,533</u>	<u>\$ 13,577,257</u>	<u>\$ 11,836,336</u>

In 2019, expenses decreased \$409,724 when compared to 2018. The change in expenses was mainly attributable to a decrease in treatment costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation

In 2019, capital assets had a net increase (addition, deductions and depreciation) of \$1,139,401.

Years Ended December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,431,160	\$ 1,431,160	\$ 1,431,160
Buildings	1,816,458	971,545	1,011,454
Equipment and Apparatus	203,226	192,290	200,117
Office Equipment	7,183	7,183	7,636
Vehicles	182,998	213,605	171,639
Conveyance System	9,558,904	9,520,313	9,936,443
Construction in Progress	<u>752,890</u>	<u>477,322</u>	<u>51,919</u>
Total Capital Assets, Net	<u>\$ 13,952,819</u>	<u>\$ 12,813,418</u>	<u>\$ 12,810,368</u>

DEBT OUTSTANDING

The Authority's bonded debt was \$3,515,000 at December 31, 2019, a decrease of \$310,000 when compared to 2018. Interest on these bonds is paid semi-annually with interest rates ranging from 3.00% to 5.00%. Principal payments on the outstanding debt are due annually with final maturity on August 1, 2028.

FINANCIAL CONTACT

The Authority's statements are designed to present users (sewer users, ratepayers and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional financial information, please contact the Finance Department, Manasquan River Regional Sewerage Authority, 89 Havens Bridge Road, Farmingdale, NJ 07727.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION

Exhibit A

DECEMBER 31, 2019 AND 2018

Sheet 1 of 2

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	\$ 9,805,499	\$ 8,769,712
Intergovernmental Accounts Receivable	413,522	1,655,525
Inventory	6,440	14,444
Total Unrestricted Current Assets	<u>10,225,461</u>	<u>10,439,681</u>
Restricted Assets:		
Cash and Cash Equivalents	515,000	473,157
Funds Held by Trustee	897,534	1,069,110
Total Restricted Current Assets	<u>1,412,534</u>	<u>1,542,267</u>
Total Current Assets	<u>11,637,995</u>	<u>11,981,948</u>
Capital Assets:		
Land	1,431,160	1,431,160
Buildings	2,900,304	1,992,793
Equipment and Apparatus	1,675,822	1,646,640
Office Equipment	78,957	78,957
Vehicles	404,842	458,977
Conveyance System	20,930,883	20,286,512
Construction in Progress	752,890	477,322
	<u>28,174,858</u>	<u>26,372,361</u>
Less: Accumulated Depreciation	14,222,039	13,558,943
Capital Assets, Net	<u>13,952,819</u>	<u>12,813,418</u>
Total Assets	<u>25,590,814</u>	<u>24,795,366</u>
<u>Deferred Outflow of Resources</u>		
Related to OPEB	24,279	-
Related to Pensions	837,979	1,213,317
Total Deferred Outflow of Resources	<u>862,258</u>	<u>1,213,317</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 26,453,072</u>	<u>\$ 26,008,683</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION

Exhibit A

DECEMBER 31, 2019 AND 2018

Sheet 2 of 2

	<u>2019</u>	<u>2018</u>
<u>Liabilities</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 228,675	\$ 951,650
Accrued Expenses	28,344	23,988
Accrued Interest Payable	70,479	75,646
Overpayment of Service Charges	473,603	459,237
Sewer Revenue Bonds Payable	386,012	371,011
Pension Payable	122,174	129,752
Total Current Liabilities Payable from Unrestricted Assets	<u>1,309,287</u>	<u>2,011,284</u>
Current Liabilities Payable from Restricted Assets:		
Escrow Accounts - Review Fees	509,851	468,008
Accounts Payable	6,132	4,072
Total Current Liabilities Payable from Restricted Assets	<u>515,983</u>	<u>472,080</u>
Non-Current Liabilities:		
Sewer Revenue Bonds Payable	3,643,156	4,029,168
Compensated Absences Payable	38,170	33,380
Net OPEB Liability	104,801	94,934
Net Pension Liability	2,239,414	2,540,355
Total Non-Current Liabilities	<u>6,025,541</u>	<u>6,697,837</u>
Total Liabilities	<u>7,850,811</u>	<u>9,181,201</u>
<u>Deferred Inflow of Resources</u>		
Related to Pensions	1,176,236	1,307,047
Unearned Profit on Sales - Leaseback	567,397	608,590
Total Deferred Inflow of Resources	<u>1,743,633</u>	<u>1,915,637</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	10,821,185	9,482,349
Unrestricted	<u>6,037,443</u>	<u>5,429,496</u>
Total Net Position	<u>16,858,628</u>	<u>14,911,845</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 26,453,072</u>	<u>\$ 26,008,683</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF REVENUE, EXPENSES AND

Exhibit B

CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenue:		
Service Charges	\$ 14,242,338	\$ 15,013,090
Connection Fees	292,559	618,668
Total Operating Revenue	<u>14,534,897</u>	<u>15,631,758</u>
Operating Expenses:		
Personnel Services	1,632,460	1,615,020
Purchase of Services	9,776,547	10,393,741
Other Operating Expenses	934,584	767,835
Depreciation	708,570	647,026
Total Operating Expenses	<u>13,052,161</u>	<u>13,423,622</u>
Operating Income	<u>1,482,736</u>	<u>2,208,136</u>
Non-Operating Revenue/(Expenses):		
Gain on Sale Leaseback	41,194	41,194
Interest Revenue	255,655	86,946
Insurance Proceeds	-	114,333
Gain/(Loss) on Disposal of Assets	28,075	(27,758)
Bond Interest Expense	(115,372)	(125,877)
Other Non-Operating Revenues	254,495	111,783
Total Non-Operating Revenue/(Expenses)	<u>464,047</u>	<u>200,621</u>
Net Income (Before Transfer of Depreciation on Assets Purchased with Contributed Capital)	<u>1,946,783</u>	<u>2,408,757</u>
Change in Net Position	1,946,783	2,408,757
Net Position January 1	14,911,845	12,617,375
Restatement (Note 17)	-	(114,287)
Net Position January 1, as Restated	<u>14,911,845</u>	<u>12,503,088</u>
Net Position December 31	<u>\$ 16,858,628</u>	<u>\$ 14,911,845</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS

Exhibit C

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Sheet 1 of 2

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash Received from Service Charges	\$ 15,619,310	\$ 12,999,339
Cash Received from Service Surcharges	108,348	165,546
Cash Received from Connection Fees	292,559	618,668
Cash Received from Miscellaneous	206,197	111,783
Cash Received/Payments from/to Escrows	41,843	10,115
Cash Payments for Goods and Services	(12,185,334)	(10,065,186)
Cash Payments to Employees	(1,127,866)	(1,645,215)
Net Cash Flows from Operating Activities	<u>2,955,057</u>	<u>2,195,050</u>
Cash Flows from Capital and Related Financing Activities:		
Insurance Proceeds	-	114,333
Disposal of Assets	36,737	21,681
Payments for Capital Acquisitions	(1,849,845)	(555,135)
Bond Payments	(310,000)	(305,000)
Interest Paid	(181,550)	(190,700)
Net Cash Flows from Capital and Related Financing Activities	<u>(2,304,658)</u>	<u>(914,821)</u>
Cash Flows from Investing Activities:		
Receipts of Interest	255,655	86,946
Net Cash Flows from Investing Activities	<u>255,655</u>	<u>86,946</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	906,054	1,367,175
Cash and Cash Equivalents January 1	<u>10,311,979</u>	<u>8,944,804</u>
Cash and Cash Equivalents December 31	<u>\$ 11,218,033</u>	<u>\$ 10,311,979</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Exhibit C

Sheet 2 of 2

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,482,736	\$ 2,208,136
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	708,570	647,026
Escrow Accounts - Review Fees (From)/To	41,843	10,115
Non-Operating Miscellaneous Revenue	254,495	111,783
(Increase)/Decrease in Intergovernmental Receivables	1,242,004	(1,002,297)
(Increase)/Decrease in Inventory	8,004	15,919
Increase/(Decrease) in Accounts Payable	(735,281)	652,219
Increase/(Decrease) in Accrued Expenses	4,356	(4,102)
Increase/(Decrease) in Net OPEB Liability	9,867	(19,353)
(Increase)/Decrease in Deferred OPEB Outflows	(24,279)	-
Increase/(Decrease) in Pension Liability	(300,941)	(161,985)
(Increase)/Decrease in Deferred Pension Outflows	375,338	12,829
Increase/(Decrease) in Deferred Pension Inflows	(130,811)	115,920
Increase/(Decrease) in Overpayment of User Fees	14,367	(398,256)
Increase/(Decrease) in Compensated Absences Payable	4,789	7,096
Total Adjustments	<u>1,472,321</u>	<u>(13,086)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,955,057</u>	<u>\$ 2,195,050</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Manasquan River Regional Sewerage Authority (the "Authority") was created in 1972 by virtue of parallel ordinances adopted by the Boroughs of Farmingdale and Freehold and the Townships of Freehold, Howell and Wall, and is a public body politic and corporate of the State of New Jersey organized and existing pursuant to the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946, of the State of New Jersey, as amended and supplemented. The municipalities would be required to provide for deficits resulting from failure of the Authority to derive adequate revenues from the operation of the system.

The Authority operates and maintains a network of interceptors, collectors, pump stations and trunk lines to accept wastewater flow from the sewerage systems serving the territorial limits of the Boroughs of Farmingdale and Freehold, the Township of Howell, and portions of the Townships of Freehold and Wall. Treatment and disposal is handled by facilities of the Ocean County Utilities Authority.

B. Basis of Presentation and Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

C. Impact of Recently Issued Accounting Principles

Recent Accounting Pronouncements

Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Impact of Recently Issued Accounting Principles (continued)

Recent Accounting Pronouncements (continued)

lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 13, 2020. Management does not expect this Statement to have a material impact to the Authority's financial statements.

D. Inventory

Inventory consists of chemicals used for odor control and fuel oil used for operation of emergency generators and is stated at cost (determined on a first-in, first-out basis). The value of inventory at December 31, 2019 and 2018 is \$6,440 and \$14,444, respectively.

E. Property, Plant and Equipment

The Authority records its property and equipment at cost. Contributed fixed assets are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expense, whereas additions and improvement are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operations. Interest costs relating to construction are capitalized. Certain applicable labor and legal costs are also capitalized. The Authority's capitalization level is \$5,000 for capital assets.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Conveyance system	7 to 50 years
Pump stations and apparatus	40 years
Equipment - pumping stations	7 to 15 years
Buildings and improvements	40 years
Vehicles	7 years
Equipment - office	7 to 20 years

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Unearned Profit on Sale-Leaseback

The unearned profit on the sale-leaseback will be amortized in proportion to the depreciable life of the asset.

G. Budgets

Budgets which are required by state statute are adopted in accordance with regulations promulgated by the Bureau of Authority Regulation (the "Bureau"). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the Bureau. A capital program adopted by the Authority is management's six-year plan for financing the estimated cost of addition or replacement of major fixed assets used in the Authority's operation.

Budgets are adopted on a basis consistent with GAAP with the following exceptions:

- Principal retired is budgeted as nonoperating expenses.
- Depreciation is not budgeted.
- Capital expenses are treated as nonoperating expenses.

H. Estimates

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

I. Compensated Absences Payable

The Authority allows employees to earn vacation time based on the employee's length of service and time worked during the preceding year. A maximum of 10 unused vacation days may be carried forward, but must be taken in the subsequent year. Unused sick leave may be carried forward into subsequent calendar years. Upon resignation or retirement, accumulated sick leave may be converted to a cash payment at a rate of 50% of the employee's accumulated time calculated at their current hourly salary up to a maximum of \$10,000 for full-time employees hired prior to November 7, 2018 and \$2,500 for those hired after that date. It is estimated that the cost of unpaid sick time as of December 31, 2019 is \$38,170 and as of December 31, 2018 was \$33,380. These amounts are reflected as an expenditure and liability on the financial statements.

J. Funds Held by Trustee

The net proceeds from the Sewer Revenue Bonds (Series 2013) were placed with the U.S. Bank. These funds are being held by the trustee and are being released to the Authority upon requisitions for the payment of expenditures on the projects for which the loans were authorized.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Developer Contributions

Developer contributions received are recorded in the period received. Developer financed construction is recorded in the period in which applicable costs are incurred. Donated assets are recorded at fair market value at the time of the contribution.

L. Bond Premium

Bond premium is amortized on a straight-line method as principal payments are made. Bond premium as of December 31, 2019 and 2018 was \$514,168 and \$575,180, respectively. Per GASB 65, for financial statement presentation purposes, the bond premium was included in the long term debt sewer revenue bonds payable on the statement of net position.

M. Restricted Assets

Restricted assets represent cash and cash equivalents, investments and interest receivable maintained in accordance with bond resolutions, loan agreements and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions the utility systems.

N. Deferred Outflow and 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 statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualify for reporting in this category which is related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a 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 which are deferred profit on sales-leaseback and related to pensions.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions (continued)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2018
- Measurement Date: June 30, 2019
- Measurement Period: July 1, 2018 to June 30, 2019

P. Net Position

In the statement of net position, there are three classes of net position:

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.

Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - any portion of net position not already classified as either net investment in capital assets or net position - restricted is classified as net position - unrestricted.

Designated Unrestricted Net Position - The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net position. The Authority Board of Commissioners may dedicate net position to establish designations of unrestricted net position to meet policy adopted by the Board. During the fiscal year ended December 31, 2018 the Board established the following designated unrestricted reserve funds: The Rate Stabilization Reserve Fund, the Capital Reserve Fund and the Renewal/Replacement Reserve Fund.

Q. Subsequent Events

Manasquan River Regional Sewerage Authority has evaluated subsequent events occurring after December 31, 2019 through the date of July 14, 2020, which is the date the financial statements were available to be issued. See Note 18 for more information.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost. U.S Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost. All of the investments are stated at fair value.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (“FDIC”), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

B. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every authority shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the members and may be modified from time to time in order to reflect changes in federal or state law or regulations. The finance officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the commissioners summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

C. Restricted Cash

Restricted cash at December 31, 2019 and 2018 totaled \$1,412,534 and \$1,542,267, respectively. At December 31, 2019, restricted cash consisted of \$515,000 of escrow deposits for review and inspection of developers' projects within the Authority's service region and \$897,534 of funds held by trustee. At December 31, 2018, restricted cash consisted of \$473,157 of escrow deposit and \$1,069,110 of funds held by trustee.

D. Custodial Credit Risks

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's limits its credit risk by investing in direct obligations of the United States government, its agencies or instrumentalities secured by the full faith and credit of the government of the United States. U.S. government securities carry an underlying rating of AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Authority has no policy on credit risk however, investments are limited to securities guaranteed by the U.S. Government.

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in any one issuer. 100% of the Authority's investments are in obligations of the United States or its agencies or instrumentalities.

At December 31, 2019 and 2018 the carrying amount of the Authority's deposits was \$10,320,499 and \$9,242,869, respectively. The bank balance amount was \$10,313,167 and \$9,288,513 at December 31, 2019 and 2018. Of this amount \$250,000 was covered by federal depository insurance at December 31, 2019 and 2018. A collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$9,548,167 and \$8,565,356 as of December 31, 2019 and 2018, respectively. An amount of \$515,000 and \$473,157 was on deposit in the name of various developers for escrow and is either insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the escrow depository at December 31, 2019 and 2018.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2019 and 2018 are summarized by major classification as follows:

	<u>2019</u>	<u>2018</u>
OCUA Excess Service Charges	\$ 131,320	\$ -0-
Service Surcharges	17,911	28,629
Service Charges	<u>264,291</u>	<u>1,626,896</u>
	<u>\$ 413,522</u>	<u>\$ 1,655,525</u>

NOTE 4. LONG-TERM DEBT

A. Revenue Bonds

The Authority has issued a revenue bond to provide funds for the construction of capital facilities.

Revenue bonds currently outstanding are as follows:

	<u>2019</u>	<u>2018</u>
Series 2013 Revenue Bonds - authorized and issued \$5,230,000, dated June 5, 2013, for the purpose of construction of capital facilities, interest rates range from 2% to 5%, maturities August 1, 2014 to 2028	\$ 3,515,000	\$ 3,825,000
Less: Current Portion	<u>325,000</u>	<u>310,000</u>
Long-Term Debt	<u>\$ 3,190,000</u>	<u>\$ 3,515,000</u>

A summary of maximum annual debt service for principal and interest for bonded debt issued and outstanding at December 31, 2019 is provided below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 325,000	\$ 169,150	\$ 494,150
2021	335,000	156,150	491,150
2022	350,000	142,750	492,750
2023	370,000	125,250	495,250
2024	385,000	106,750	491,750
2025-2028	<u>1,750,000</u>	<u>224,250</u>	<u>1,974,250</u>
	<u>\$ 3,515,000</u>	<u>\$ 924,300</u>	<u>\$ 4,439,300</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4. LONG-TERM DEBT (CONTINUED)

B. Debt Summary

A summary of the activity in the Authority's principal portion of its debt is as follows:

	<u>Balance</u> <u>Jan. 1, 2019</u>	<u>Prior Year</u> <u>Restatement</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Sewer Revenue Bonds (Series 2013)	\$ 3,825,000	\$	\$	\$ 310,000	\$ 3,515,000	\$ 325,000
Unamortized Bond Premium	575,179	_____	_____	61,011	514,168	61,012
Subtotal	4,400,179	_____	_____	371,011	4,029,168	386,012
Compensated Absences	33,380	_____	4,790	_____	38,170	_____
Pension Liability	2,540,355	_____	_____	300,941	2,239,394	_____
OPEB Liability	94,934	_____	9,867	_____	104,801	_____
	<u>\$ 7,068,848</u>	<u>\$ -0-</u>	<u>\$ 14,676</u>	<u>\$ 671,952</u>	<u>\$ 6,411,533</u>	<u>\$ 386,012</u>
	<u>Balance</u> <u>Jan. 1, 2018</u>	<u>Prior Year</u> <u>Restatement</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Sewer Revenue Bonds (Series 2013)	\$ 4,130,000	\$	\$	\$ 305,000	\$ 3,825,000	\$ 310,000
Unamortized Bond Premium	636,191	_____	_____	61,012	575,179	61,011
Subtotal	4,766,191	_____	_____	366,012	4,400,179	371,011
Compensated Absences	26,284	_____	7,096	_____	33,380	_____
Pension Liability	2,591,987	_____	_____	51,632	2,540,355	_____
OPEB Liability	_____	114,287	4,203	23,556	94,934	_____
	<u>\$ 7,384,462</u>	<u>\$ 114,287</u>	<u>\$ 11,299</u>	<u>\$ 441,220</u>	<u>\$ 7,068,848</u>	<u>\$ 371,011</u>

NOTE 5. SERVICE CHARGES RECEIVABLE

The Authority issues to participants, its certificate stating the estimated amount of the annual charge. The annual charge is based upon estimated flows and an approved bulk rate. The Authority sends this certificate to participants in December of the year preceding the fiscal year for which the charges are levied. The Authority sends participants quarterly reminders. A deficiency charge or credit is issued at the beginning of the following year when actual annual flows have been verified. Bills are payable within 30 days.

**NOTE 6. SERVICE AGREEMENT WITH OCEAN COUNTY UTILITIES AUTHORITY
("OCUA")**

A service agreement was executed with Ocean County Utilities Authority ("OCUA") during 1981 providing for sewage and other wastes originating within the regional district to be treated and disposed of by the County Authority.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. THREE PARTY SERVICE AGREEMENT RE: SOUTHWESTERN WALL TOWNSHIP

Wall Township, in anticipation of developing facilities in the Metedeconk basin of the Authority service area, where Ocean County Utilities Authority (“OCUA”) has no facilities to provide direct service, entered into an agreement with Brick Township Municipal Utilities Authority (“BTMUA”), the Authority and OCUA for service to be provided to this portion of Wall Township through facilities of BTMUA.

The agreement setting forth the responsibilities of each authority was dated April 10, 1991. Billing for usage is submitted to the Authority and in turn passed through to Wall Township.

NOTE 8. RATE SCHEDULE

2019 Rate - A 2019 rate of \$5,898 per million gallons was adopted by the Authority on November 7, 2018, based on the 2019 budget requirements.

Subsequent Event

2020 Rate - A 2020 rate of \$5,986 per million gallons was adopted by the Authority on November 6, 2019, based on the 2020 budget requirements.

NOTE 9. CONSTRUCTION COMMITMENTS

The Authority has active construction projects at December 31, 2019. The projects include construction improvements to waste water treatment and delivery systems.

<u>Project</u>	<u>Completed to Date</u>	<u>Remaining Commitment</u>
Mingamahone Pump Station	\$ 32,867	\$ 1,815
Upper Manasquan Pump Station	_____	<u>188,000</u>
	\$ <u>32,867</u>	\$ <u>189,815</u>

NOTE 10. CONNECTION FEES

An October 1989 revision to the previously adopted sewer extension application fee, connection fee and review deposit resolution provided for the connection fee portion of the charge to be deferred at the option of the developer until actual connection date at the then current rate. The Authority has requested the cooperation of member municipal construction officials to require proof of payment of the Authority charges before a certificate of occupancy is issued for individual units. The connection fees for 2019 were \$2,176 per unit effective July 18, 2018 until July 17, 2019 when the amount decreased to \$1,970.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 11. CAPITAL ASSETS

Activity in the capital assets for the Authority for the years ended December 31, 2019 and 2018 was as follows:

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Increased by</u> <u>Current Year</u> <u>Additions</u>	<u>Transfers</u>	<u>Decreased by</u> <u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
<u>Owned Property</u>					
Non-depreciable Assets:					
Land	\$ 1,431,160				\$ 1,431,160
Depreciable Assets:					
Buildings	1,992,793		907,511		2,900,304
Equipment and Apparatus	1,646,640	29,182			1,675,822
Office Equipment	78,957				78,957
Vehicles	458,977			54,135	404,842
Conveyance System	20,286,512		644,371		20,930,883
Construction in Progress	477,322	1,827,450	(1,551,882)		752,890
Total Historical Cost	<u>26,372,361</u>	<u>1,856,632</u>	<u>(1,551,882)</u>	<u>54,135</u>	<u>28,174,858</u>
Less Accumulated Depreciation:					
Buildings	1,021,249	62,597			1,083,846
Equipment and Apparatus	1,454,349	18,247			1,472,596
Office Equipment	71,774				71,774
Vehicles	245,372	21,946		45,474	221,844
Conveyance System	10,766,199	605,780			11,371,979
Total Accumulated Depreciation	<u>13,558,943</u>	<u>708,570</u>	<u>(1,551,882)</u>	<u>45,474</u>	<u>14,222,039</u>
	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased by</u> <u>Current Year</u> <u>Additions</u>	<u>Transfers</u>	<u>Decreased by</u> <u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
<u>Owned Property</u>					
Non-depreciable Assets:					
Land	\$ 1,431,160				\$ 1,431,160
Depreciable Assets:					
Buildings	1,992,793			\$	1,992,793
Equipment and Apparatus	1,711,905	40,465		105,730	1,646,640
Office Equipment	83,487			4,530	78,957
Vehicles	523,034	78,480		142,537	458,977
Conveyance System	20,131,345	53,302	101,865		20,286,512
Construction in Progress	51,919	527,268	(101,865)		477,322
Total Historical Cost	<u>25,925,643</u>	<u>699,515</u>	<u>(101,865)</u>	<u>252,797</u>	<u>26,372,361</u>
Less Accumulated Depreciation:					
Buildings	981,339	39,910			1,021,249
Equipment and Apparatus	1,511,788	13,559		70,998	1,454,349
Office Equipment	75,851			4,077	71,774
Vehicles	351,395	22,260		128,283	245,372
Conveyance System	10,194,902	571,297			10,766,199
Total Accumulated Depreciation	<u>13,115,275</u>	<u>647,026</u>	<u>(101,865)</u>	<u>203,358</u>	<u>13,558,943</u>
Total Capital Assets, Net	<u>\$ 12,810,368</u>	<u>\$ 52,489</u>	<u>\$ (101,865)</u>	<u>\$ 49,439</u>	<u>\$ 12,813,418</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. 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. The Authority is a member of the New Jersey Utilities Joint Insurance Fund. The joint insurance pool is both an insured and self-administered group of authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums.

NOTE 13. CONTINGENT LIABILITIES

Pending Litigation

There are actions which have been instituted against the Authority which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Authority.

It is the opinion of the Authority officials that there is no litigation threatened or pending that would materially affect the financial position of the Authority or adversely affect the Authority's ability to levy, collect and enforce the collection of revenue for the payment of its obligations.

The Authority officials believe that negligence and other types of liability suits, of which the Authority is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 14. DEFERRED COMPENSATION

The Authority has instituted a Deferred Compensation Plan ("Plan") pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Authority has engaged a private contractor to administer the Plan.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

The Authority provides post-employment medical, dental and prescription drug coverage to one retired employee and their family. No other future retirees will be eligible for benefits. The Authority Plan is a single employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. The Authority Plan does not issue a separate financial report.

The Authority pays 100% of the insurance cost for the retiree.

Employees and Retirees Covered - At December 31, 2019, the following employees were covered by the Authority plan:

<u>Participant Data</u>	<u>Amount</u>
Retired Employees	
Retirees	1
Spouses	1
Children	1
Total	<u>3</u>
 Retiree Average Age	 61

Actuarial Assumptions and Other Inputs

This valuation has been conducted as of December 31, 2019 based on census, plan design and premium information provided by the Authority. Census includes 1 retired participant (including their family) and no active participants. The total OPEB Liability for fiscal year ending December 31, 2019 of \$104,801 is measured at December 31, 2019 as allowed under GASB 75.

The values are determined in accordance with GASB 75 including the Entry Age Normal Funding Method based on a level percentage of salary. There are no active employees and therefore no salaries are reported. The following assumptions and other inputs applied to all periods in the measurement, unless otherwise specified:

Discount Rate - The discount rate is 2.74% based on the Bond Buyer 20 Index as of December 31, 2019.

Changes in the Total OPEB Liability - The changes to the total OPEB Liability during the year ending December 31, 2019 were as follows:

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be, if it were calculated using a discount rate that is 1-percentage-point lower (1.74 percent) or 1-percentage pointer higher (3.74 percent) that the current discount rate:

		At December 31, 2019				
		At 1% Decrease (1.74%)	At Discount Rate (2.74%)	At 1% Increase (3.74%)		
Total OPEB Liability	\$	106,334	\$	104,801	\$	103,314
		At December 31, 2018				
		At 1% Decrease (3.10%)	At Discount Rate (4.10%)	At 1% Increase (5.10%)		
Total OPEB Liability	\$	96,770	\$	94,934	\$	93,163

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be, if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage pointer higher that the current healthcare cost trend rate:

		December 31, 2019				
		1% Decrease	Current Health Care Trend Rate	1% Increase		
Total OPEB Liability	\$	101,182	\$	104,801	\$	108,599
		December 31, 2018				
		1% Decrease	Current Health Care Trend Rate	At 1% Increase		
Total OPEB Liability	\$	96,286	\$	94,934	\$	93,598

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

For the year ended December 31, 2019, the Authority's OPEB credit was estimated to be \$14,412. At December 31, 2019 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,279	\$ -0-

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

<u>Year Ending December 31</u>	<u>OPEB</u>
2020	\$ 15,335
2021	8,944
	<u>\$ 24,279</u>

NOTE 16. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (continued)

Plan Description (Continued)

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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 or more years of service credit before age 62 and tier 5 with 30 or more years 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.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (continued)

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2019, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2019, The Authority's contractually required contribution to PERS plan was \$122,174.

Net Pension Liability and Pension Expense - At December 31, 2019, the Authority's proportionate share of the PERS net pension liability is valued to be \$2,239,414. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The Authority's proportion measured as of June 30, 2019, was .01242%, which was a decrease of .00048% from its proportion measured as of June 30, 2018.

Collective Balances at December 31, 2019 and December 31, 2018

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Actuarial Valuation Date (including roll forward)	July 1, 2019	July 1, 2018
Deferred Outflows of Resources	\$ 715,805	\$ 1,213,317
Deferred Inflows of Resources	1,176,236	1,307,047
Net Pension Liability	2,239,414	2,540,355
Authority's Portion of the Plan's Total		
Net Pension Liability	0.01242%	0.01290%

For the year ended December 31, 2019, the Authority recognized a net pension credit of \$63,992.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,195	\$ 9,893
Changes of assumptions	223,614	777,294
Net difference between projected and actual earnings on pension plan investments		35,350
Changes in proportion	451,996	353,699
	\$ 715,805	\$ 1,176,236

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense are as follows:

<u>Year Ending December 31</u>	<u>PERS</u>
2020	\$ (45,004)
2021	(190,110)
2022	(167,652)
2023	(68,293)
2024	10,628
	\$ (460,431)

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments:		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between		
Authority Contributions and Proportionate		
Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (continued)

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PERS</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Age
Thereafter	3.00 - 7.00% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010
Period of Actuarial Experience Study upon which Actuarial Assumptions were based	July 1, 2014 - June 30, 2018

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-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience 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.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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, 2019 are summarized in the following table:

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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, 2019 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. 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 will be based on 70% 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 projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining 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 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 (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

	<u>Decrease</u> <u>(5.28%)</u>	<u>Discount</u> <u>(6.28%)</u>	<u>Increase</u> <u>(7.28%)</u>
Authority's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Authority	\$ 2,828,744	\$ 2,239,414	\$ 1,742,820

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 17. RESTATEMENT OF NET POSITION

As disclosed in Note 1, in the fiscal year 2018, the Authority implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Accounting changes adopted to conform to the provisions of Statement No. 75, were applied retroactively. Accordingly, the beginning balance of net position as of January 1, 2018 has been restated as follows:

Net position at January 1, 2018, as originally reported	\$ 12,617,375
Implementation of GASB Statement No. 75 to record OPEB liability as of the beginning of the year	<u>(114,287)</u>
Net position at January 1, 2018, as restated	\$ <u>12,503,088</u>

NOTE 18. SUBSEQUENT EVENT

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged. As of the date of this report, the coronavirus has spread globally, and the list is expected to continue to grow. The coronavirus outbreak is still evolving and its effects remain unknown. The Authority is unable to predict how changing global economic conditions such as the COVID-19 coronavirus will affect the Authority's operations.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31, 2019 THROUGH 2013
(UNAUDITED)

Schedule 1

	December 31						
	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.012%	0.013%	0.012%	0.013%	0.006%	0.007%	0.007%
Authority's proportionate share of the net pension liability	\$ 2,239,414	\$ 2,540,355	\$ 2,591,987	\$ 2,656,050	\$ 2,972,885	\$ 2,693,064	\$ 2,699,847
Authority's covered-employee payroll	\$ 934,019	\$ 879,549	\$ 866,211	\$ 796,001	\$ 872,906	\$ 995,964	\$ 1,008,901
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.761%	288.825%	299.233%	333.674%	340.573%	270.398%	267.603%
Plan fiduciary net position as a percentage of the total pension liability	56.271%	53.597%	48.100%	47.928%	52.080%	42.741%	40.713%

This schedule is presented to illustrate the requirement for 10 years. However; until a full 10 year trend is compiled, the Authority will present information for those years for which the information is available.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

Schedule 2

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FOR THE YEARS ENDED DECEMBER 31, 2019 THROUGH 2013

(UNAUDITED)

	December 31						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 120,892	\$ 129,752	\$ 110,353	\$ 80,104	\$ 114,315	\$ 119,022	\$ 106,870
Contributions in relation to the the contractually required contribution	<u>120,892</u>	<u>129,752</u>	<u>110,353</u>	<u>80,104</u>	<u>114,315</u>	<u>119,022</u>	<u>106,870</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 934,019	\$ 879,549	\$ 866,211	\$ 796,001	\$ 872,906	\$ 995,964	\$ 1,008,901
Contributions as a percentage of covered-employee payroll	12.94%	14.75%	12.74%	10.06%	13.10%	11.95%	10.59%

This schedule is presented to illustrate the requirement for 10 years. However; until a full 10 year trend is compiled, the Authority will present information for those years for which the information is available.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF CHANGES IN THE TOTAL OPEB

Schedule 3

LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2019

(UNAUDITED)

	December 31	
	<u>2019</u>	<u>2018</u>
Measurement Date	12/31/19	12/31/18
Interest Cost	\$ 3,217	4,203
Changes of Assumptions	-	-
Difference between Actual and Expected	39,614	-
Benefits Paid (Implicit)	<u>(32,964)</u>	<u>(23,556)</u>
Net Change in Total OPEB Liability	9,867	(19,353)
Total OPEB Liability - Beginning of Year	94,934	114,287
Total OPEB Liability - End of Year	\$ <u>104,801</u>	<u>94,934</u>
Total Covered Payroll	\$ 934,019	879,549
Net OPEB Liability as a Percentage of Payroll	11.22%	10.79%

This schedule is presented to illustrate the requirement for 10 years. However; until a full 10 year trend is compiled, the Authority will present information for those years for which the information is available

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF OPEB FUNDING PROGRESS

Schedule 4

FOR THE YEAR ENDED DECEMBER 31, 2019

(UNAUDITED)

	December 31	
	2019	2018
Total OPEB Liability	\$ 104,801	94,934
Fiduciary Net Position	-	-
Net OPEB Liability	<u>\$ 104,801</u>	<u>94,934</u>
Funded Ratio	0%	0%
Covered Payroll	\$ 934,019	879,549
Net OPEB Liability as a Percentage of Covered Payroll	11.22%	10.79%

This schedule is presented to illustrate the requirement for 10 years. However; until a full 10 year trend is compiled, the Authority will present information for those years for which the information is available

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018, to 6.28% as of June 30, 2019.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

None.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018

(NON-GAAP BUDGETARY BASIS)

Schedule 5

Sheet 1 of 4

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>2018 Actual</u>
<u>Anticipated Revenues</u>			
Operating Revenues:			
Service Fees	\$ 13,631,500	\$ 14,242,338	\$ 15,013,090
Connection Fees	300,000	292,559	618,668
Total Operating Revenues	<u>13,931,500</u>	<u>14,534,897</u>	<u>15,631,758</u>
Non-Operating Revenues:			
Interest on Investments	-	255,655	86,946
Application Fees	7,500	9,400	9,400
Other Non-Operating Revenues	60,000	281,832	238,396
Total Non-Operating Revenues	<u>67,500</u>	<u>546,887</u>	<u>334,742</u>
Total Anticipated Revenues	<u>\$ 13,999,000</u>	<u>\$ 15,081,784</u>	<u>\$ 15,966,500</u>
<u>Budget Appropriations</u>			
Operating Appropriations:			
Administration:			
Salaries and Wages	\$ 414,200	\$ 383,183	\$ 359,823
Fringe Benefits	416,881	310,779	325,480
Other Expenses	413,550	330,556	281,789
Total Administration	<u>1,244,631</u>	<u>1,024,518</u>	<u>967,092</u>
Cost of Providing Service:			
Salaries and Wages	800,000	696,845	680,862
Fringe Benefits	388,019	310,911	279,228
Other Expenses	10,201,340	10,442,018	10,888,886
Total Cost of Providing Service	<u>11,389,359</u>	<u>11,449,774</u>	<u>11,848,976</u>
Capital Outlay	<u>140,500</u>	<u>2,272,235</u>	<u>1,171,338</u>
Total Principal Payments on Debt Service in Lieu of Depreciation	<u>422,500</u>	<u>310,000</u>	<u>305,000</u>
Total Operating Appropriations	<u>13,196,990</u>	<u>15,056,527</u>	<u>14,292,406</u>
Non-Operating Appropriations:			
Total Interest Payments	294,050	181,550	190,700
Renewal and Replacement Reserve	250,000	250,000	600,000
Other Reserves	350,000	350,000	-
Total Non-Operating Appropriations	<u>894,050</u>	<u>781,550</u>	<u>790,700</u>
Total Operating and Non-Operating Appropriations	<u>\$ 14,091,040</u>	<u>15,838,077</u>	<u>15,083,106</u>
Unreserved Retained Earnings to Balance Budget	<u>92,040</u>	<u>-</u>	<u>-</u>
Total Appropriations - Unreserved Retained Earnings	<u>\$ 13,999,000</u>	<u>15,838,077</u>	<u>15,083,106</u>
Excess/(Deficit) of Revenues over Appropriations		\$ <u>(756,293)</u>	\$ <u>883,394</u>
Transfers from Budgetary Basis Designated Reserves Renewal & Replacement Reserve		2,260,598	1,115,364
Total Result of Operations – Non-GAAP Budgetary Basis		\$ <u>1,504,305</u>	\$ <u>1,998,758</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018

(NON-GAAP BUDGETARY BASIS)

Schedule 5

Sheet 2 of 4

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>2018 Actual</u>
<u>Administration</u>			
Salaries and Wages:			
Commissioner's Salaries	\$ 43,000	\$ 42,920	\$ 41,862
Administrators Salaries	371,200	340,263	317,961
Total Salaries and Wages	<u>414,200</u>	<u>383,183</u>	<u>359,823</u>
Fringe Benefits:			
Social Security	30,158	27,763	25,681
Public Employees' Retirement System	39,353	44,401	36,674
Health Benefits	332,669	234,962	260,060
Unemployment	2,596	2,218	1,425
Disability	375	271	174
Vision	1,730	1,164	1,466
Accumulated Sick Leave	10,000	-	-
Total Fringe Benefits	<u>416,881</u>	<u>310,779</u>	<u>325,480</u>
Other Expenses:			
Office Supplies	5,000	4,333	4,977
Postage	2,500	2,514	1,646
Legal Advertising	2,500	1,810	1,541
Telephone	36,500	15,738	13,440
Conference, Travel and Dues	15,000	10,807	8,947
Operation and Maintenance of Vehicles	1,200	-	-
Insurance	73,500	65,367	64,776
Office Equipment Maintenance	54,500	26,609	20,692
Miscellaneous	2,500	2,278	2,576
Employee Assistance Service	350	78	78
Permits and Fees	7,500	5,674	3,625
General Counsel	20,000	67,465	22,109
Special Counsel	5,000	390	2,152
Bonding Costs	7,500	2,175	3,200
Auditor	30,000	27,475	27,720
Engineer	130,000	97,843	104,310
Financial Advisor	5,000	-	-
Cybersecurity Consultant	10,000	-	-
Controls and Instrumentation	5,000	-	-
Total Other Expenses	<u>413,550</u>	<u>330,556</u>	<u>281,789</u>
Total Administration	<u>\$ 1,244,631</u>	<u>\$ 1,024,518</u>	<u>\$ 967,092</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018

Schedule 5

Sheet 3 of 4

(NON-GAAP BUDGETARY BASIS)

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>2018 Actual</u>
<u>Cost of Providing Service</u>			
Salaries and Wages:			
Operator' Salaries	\$ 750,000	\$ 657,968	\$ 647,203
Overtime	50,000	38,877	33,659
Total Salaries and Wages	<u>800,000</u>	<u>696,845</u>	<u>680,862</u>
Fringe Benefits:			
Social Security	54,842	50,487	48,595
Public Employees' Retirement System	75,647	85,351	73,679
Health Benefits	244,081	172,393	150,445
Vision	1,270	854	848
Unemployment	1,904	1,627	2,696
Disability	275	199	330
Accumulated Sick Leave	10,000	-	2,635
Total Fringe Benefits	<u>388,019</u>	<u>310,911</u>	<u>279,228</u>
Other Expenses:			
NJ One Call	2,000	1,740	1,718
Electricity	225,000	150,119	166,144
Fuel Oil	20,000	9,168	9,848
Chemicals	125,000	47,420	68,928
Gasoline	25,000	15,353	16,170
Maintenance Materials	7,500	7,230	6,544
Operation of Vehicles	9,000	6,880	8,942
Site Maintenance	7,500	7,935	8,236
Training and Seminars	10,000	4,199	6,104
Contracts - Repair and Maintenance	157,000	80,743	64,891
Liquid Oxygen Tank Rentals	5,640	5,100	5,100
Repair of Equipment	75,000	74,130	60,449
Safety Equipment	12,500	10,894	10,844
Tools and Equipment	3,500	3,504	3,622
Uniform Service	6,000	5,339	4,914
Miscellaneous	1,000	790	629
Water	5,000	1,035	1,366
Instrumentation Replacement	10,000	10,370	4,775
Manhole Maintenance	20,000	589	8,487
Emergency Repairs	125,000	222,933	37,434

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018

Schedule 5

Sheet 4 of 4

(NON-GAAP BUDGETARY BASIS)

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>2018 Actual</u>
<u>Cost of Providing Service (Continued)</u>			
Other Expenses (Continued):			
Service Charges:			
OCUA	\$ 9,289,700	\$ 9,711,723	\$ 10,322,762
BTMUA	60,000	64,824	70,979
Total Other Expenses	<u>10,201,340</u>	<u>10,442,018</u>	<u>10,888,886</u>
Total Cost of Providing Service	<u>\$ 11,389,359</u>	<u>\$ 11,449,774</u>	<u>\$ 11,848,976</u>
Capital Outlay:			
System Equipment	\$ 60,000	\$ 38,844	\$ 27,318
Office Equipment	10,500	17,033	3,259
Support Equipment	20,000	-	-
Emergency Response Equipment	50,000	2,890	28,016
Capital Reserve Fund - Appropriated	-	2,213,468	1,112,745
Total Capital Outlay	<u>\$ 140,500.00</u>	<u>\$ 2,272,235</u>	<u>\$ 1,171,338</u>
<u>Reconciliation of Change in Net Position</u>			
Result of Operations Excess/(Deficit) from Above		\$ 1,504,305	\$ 1,998,758
Adjustments to Budgetary Basis:			
Non Budgeted Pension Exp		63,992	13,837
Net Change in OPEB Liability		14,412	19,353
Depreciation Expense		(708,570)	(647,026)
Accrued Bond Interest (net of Bond Sale Premium)		61,012	61,012
Unearned Profit on Sales - Leaseback		41,194	41,194
Compensated Absences		(4,789)	(7,096)
Reserve for Encumbrances (net)		656,508	592,312
Capital Expenditures		1,685,172	604,221
Inventory (net)		(8,004)	(15,919)
Accrued Expenses (net)		811	7,914
Renewal and Replacement Reserve		250,000	600,000
Other Reserves		350,000	-
Debt Service Principal		310,000	305,000
Disposal of Assets at Carried GAAP Value		(8,662)	(49,439)
Transfers from Designated Reserves		<u>(2,260,598)</u>	<u>(1,115,364)</u>
Change in Net Position Exhibit B		<u>\$ 1,946,783</u>	<u>\$ 2,408,757</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES

Schedule 6

YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Increased by 2019 Service Fees	Decreased by Collected in 2019	Balance Dec. 31, 2019
Farmingdale Borough	\$ 110,970	\$ 395,437	\$ 435,360	\$ 71,047
Freehold Borough	228,112	2,907,714	3,000,172	135,654
Freehold Township	1,232,121	5,660,069	6,835,221	56,969
Howell Township	(459,237)	4,952,557	4,966,923	(473,603)
Wall Township	55,693	326,561	381,634	620
	<u>\$ (846,091)</u>	<u>\$ 14,242,338</u>	<u>\$ 15,619,310</u>	<u>\$ (209,313)</u>

ANALYSIS OF ACCOUNTS RECEIVABLE - INDUSTRIAL SURCHARGES

YEAR ENDED DECEMBER 31, 2019

Schedule 7

	Balance Dec. 31, 2018	Increased by 2019 Service Fees	Decreased by Collected in 2019	Balance Dec. 31, 2019
Freehold Township	\$ 28,629	\$ 97,630	\$ 108,348	\$ 17,911
	<u>\$ 28,629</u>	<u>\$ 97,630</u>	<u>\$ 108,348</u>	<u>\$ 17,911</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF SEWER REVENUE BONDS

Schedule 8

YEAR ENDED DECEMBER 31, 2019

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rates</u>	<u>Balance Dec. 31, 2018</u>	<u>Paid</u>	<u>Balance Dec. 31, 2019</u>
			<u>Year</u>	<u>Amount</u>				
Sewer Revenue Bonds (Series A)	2013	\$ 5,230,000	8/01/2020	325,000	4.00%			
			8/01/2021	335,000	4.00%			
			8/01/2022	350,000	5.00%			
			8/01/2023	370,000	5.00%			
			8/01/2024	385,000	5.00%			
			8/01/2025	405,000	5.00%			
			8/01/2026	425,000	5.00%			
			8/01/2027	450,000	5.00%			
			8/01/2028	470,000	5.00%			
						\$ 3,825,000	\$ 310,000	\$ 3,515,000

To the Chairman and Commissioners
of Manasquan River Regional Sewerage Authority
Farmingdale, New Jersey 07727

We have audited the financial accounts and transactions of the Manasquan River Regional Sewerage Authority for the year ended December 31, 2019. In accordance with requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

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 \$40,000, except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$40,000 without competitive bids.

The Management of the Authority has 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.

The minutes indicate that bids were requested by public advertising for the following items:

System Wide Manhole Castings Replacement (Phase 1) (Contract No. 55);
Lower Manasquan Pump Station Rehabilitation and Check Valve Replacements (Contract No. 56);
Roof Replacements and Building Improvements at MRRSA Headquarters (Contract No. 59);
Installation of Manual Transfer Switch and Portable Generator Connection Cabinet at UMPS (Contract No. 60);
Furnishing and Delivery of Emergency Spare Parts for the Upper and Lower Manasquan Force Mains (Contract No. 61);
Comminutor Replacement at the UMPS (Contract No. 62); and
Wet Well Cleaning and Coarse Bubble Diffuser Installation at the UMPS (Contract No. 63).

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

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4) (continued)

Inasmuch 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 examination of expenditures revealed individual payments, contracts or agreements in excess of \$6,000 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (N.J.S.A.40A:11-6.1).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was made. The results of the examination did not disclose any discrepancies with respect to cash receipts.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

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. The Authority approved its operating budget on October 17, 2018 and adopted its operating budget on December 12, 2018.

Current Year Findings

There were no current year findings.

Follow-Up of Prior Years' Findings

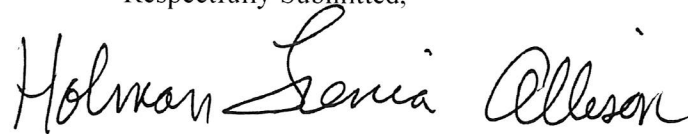
In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings to review.

Acknowledgment

We received the complete cooperation of all the staff of the Authority and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

Respectfully Submitted,

A handwritten signature in black ink that reads "Holman Frenia Allison". The signature is written in a cursive style with a large initial "H" and a long, sweeping tail on the "n" of "Allison".

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 14, 2020
Toms River, New Jersey