



**Annual Comprehensive
Financial Report for the
Year Ended December 31, 2022**

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TABLE OF CONTENTS

Appendix

INTRODUCTORY SECTION

	Letter of Transmittal	1
A	Commissioners, Terms of Office.....	7
B	Management & Consultants	8
C	Organizational Chart.....	9

FINANCIAL SECTION

	Independent Auditor’s Report	10
	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	13
	Management Discussion and Analysis	15

Exhibit

Basic Financial Statements

A	Statements of Net Position as of December 31, 2022 and 2021	18
B	Statements of Revenue, Expenses and Changes in Net Position for the Years Ended December 31, 2022 and 2021	20
C	Statements of Cash Flows for the Years Ended December 31, 2022 and 2021	21
	Notes to Financial Statements.....	23

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TABLE OF CONTENTS

Schedule

FINANCIAL SECTION (continued)

Required Supplemental Information

1	Schedule of the Authority's Proportionate Share of the Net Pension Liability	47
2	Schedule of the Authority Contributions - PERS.....	48
3	Schedule of Changes in the Total OPEB Liability and Related Ratios	49
4	Schedule of OPEB Funding Progress	50
	Notes to the Required Supplemental Information.....	51

Other Supplemental Information

5	Schedule of Revenues and Appropriations Compared to Budget - December 31, 2022 with Comparative Actual Amounts for Year Ended December 31, 2021 (Non-GAAP Budgetary Basis)	52
6	Analysis of Accounts Receivable - Service Fees	56
7	Analysis of Accounts Receivable - Industrial Surcharges	56
8	Schedule of Sewer Revenue Bonds	57
9	Comments and Recommendations	58



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 19, 2023

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

The Annual Comprehensive Financial Report (ACFR) of the Manasquan River Regional Sewerage Authority (Authority) for the year ended December 31, 2022, is submitted herewith. Responsibility for 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 ACFR is presented in three (2) 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.

PROFILE OF THE AUTHORITY

The Manasquan River Regional Sewerage Authority was originally created in May of 1972 by parallel ordinances of the five (5) Participant 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's Board of Directors consists of ten (10) Commissioners. Each Participant 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 their 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 roster of Commissioners as of December 31, 2022).

The Commissioners are responsible for establishing policies of the Authority. The Commissioners appoint an Executive Director, who acts as chief administrator to carry out the rules and policies enacted by the Board. 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 the 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) Participant Municipalities of Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township, and Wall Township, has historically been a desirable area due to its central location between New York City and Philadelphia and relative location to the Jersey shore.

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 2020 was 644,455, placing it fifth among New Jersey counties. With relatively level topography, and with its only significant physical constraint the large areas covered by wetlands, the County experienced rapid growth as the New York-Northern New Jersey "growth belt" expanded beyond Middlesex County during the late 1900s.

The Authority's service area primarily consists of residential housing with a major transportation spine, US Highway 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. Nestle’s has recently indicated potential plans to shutter the Freehold Borough coffee processing facility, which would not be insignificant to the Authority. This situation is evolving and being monitored by MRRSA. 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, 2010 and 2020

	<u>2010</u>	<u>2020</u>
New Jersey	N/A	\$103,523
Monmouth County	\$73,263	\$73,263
Farmingdale Borough	\$63,191	\$77,917
Freehold Borough	\$52,000	\$60,038
Freehold Township	\$94,735	\$115,210
Howell Township	\$89,287	\$110,021
Wall Township	\$89,278	\$115,442

Source: 2010 and 2020 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 2022 increased 6.3% (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*

COVID-19 PANDEMIC

The effects of the COVID-19 pandemic on the Authority’s service territory are alleviating. In the short term, there were significant and draconian measures; however, their impact on regional wastewater service was minimal. In the long term, transformational changes in work-from-home policies, an exodus from city centers and other macroeconomic factors could have direct effects on regional wastewater service related to the pace and volume of development. Many of the statistics mentioned above may be impacted. Supply chain issues, increasing commodity prices, inflation, a rising interest rate environment, soaring healthcare costs and shortage of workers

have already been realized as of the date of this transmittal. The Authority remains vigilant, willing and able to adjust its model accordingly to address the unknown long term impacts of the pandemic.

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 CIP has been aggressively progressing. Proactively addressing aging and ineffective infrastructure is paramount. Implementation of new technology has resulted in efficiency gains, as well, both mechanically and operationally. These new efficiencies have been paramount in the Authority's cost control scheme.

The Board's foresight has continued to pay dividends. From historically low flows in 2017 (correlating to significantly less than expected revenues) to the unprecedented draconian measures implemented by Local, State and Federal governments to address the COVID-19 pandemic during 2020 and into 2021, the Authority's fiscal performance has remained strong. The Authority's Board has leveraged the metrics provided by the CIP and budgetary model with an eye toward future Authority needs, not politics, to appropriately govern decisions. It's no surprise that the Authority's strong performance is commensurate with the sound fiscal practices implemented by the Board. This foresight will continue to prove valuable as the long term effects and potential societal changes that were ushered in by the COVID-19 pandemic take form.

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 judgment 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 2022, the Authority continued to invest all funds in the higher yield money market accounts at Ocean First Bank. Towards the end of the year, treasury investments were leveraged through OceanFirst Bank's Cash Management Plan vehicle, in an effort to take advantage of the Federal Reserve's aggressive interest rate hikes. 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 (NJUA JIF) 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 (NJ EJIF). Cybersecurity coverage has also been made available as the frequency of these crimes continually increases.

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 2022 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
Wayne Sabilia, CPA, Consulting Accountant

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

Sincerely,

DocuSigned by:

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Brian J. Brach, PE, QPA
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

2022 MRRSA Board of Commissioners Appointments

BOARD OF COMMISSIONERS

James A. Daly, Farmingdale Borough (February 1, 2021 thru January 31, 2026)	Patricia Linszky, Farmingdale Borough (February 1, 2022 thru January 31, 2027)
Michael G. Wilson, Freehold Borough (February 1, 2021 thru January 31, 2026)	Richard J. Gartz, Freehold Borough (February 1, 2022 thru January 31, 2027)
Julisa Garcia, Freehold Township (February 1, 2021 thru January 31, 2026)	A. Richard Gatto, Freehold Township (February 1, 2022 thru January 31, 2027)
Robert C. Fischer, Howell Township (April 26, 2022 thru January 31, 2026)	Jesse J. Tantillo, Howell Township (February 1, 2022 thru January 31, 2027)
Olga R. McKenna, Wall Township (February 1, 2021 thru January 31, 2026)	Mary DeSarno, Wall Township (February 1, 2022 thru January 31, 2027)

OCUA REPRESENTATIVE

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

2022 BOARD APPOINTMENTS

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

ENGINEERING COMMITTEE

Patricia Linszky
Olga R. McKenna
Julisa Garcia
Robert C. Fischer
Michael G. Wilson

EXECUTIVE COMMITTEE

Richard J. Gartz
A. Richard Gatto
Mary DeSarno
James A. Daly
Jesse J. Tantillo

Updated October 19, 2022





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: **2022 Authority Management**

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

CONSULTANTS

McLaughlin, Stauffer & Shaklee, P.C.

Cleary Giacobbe Alfieri Jacobs, P.C.

Dasti, Murphy, McGuckin, Ulaky, Koutsoris & Connors

Davison Eastman Munoz, P.C.

Sonnenblick, Mehr & Licata, P.C.

GluckWalrath

NW Financial

Mott MacDonald

CDM Smith

Chiru Consulting

CME Associates

Colliers Engineering & Design Group

Greeley and Hansen

H2M Architects and Engineers

Kleinfelder

Matrix New World Engineering

On-Board Engineering

PS&S

Ramboll

Van Cleef Engineering

Conner Strong Companies, Inc.

Holman, Frenia, Allison, P.C.

Antonides & Sibilila, CPAs

POSITION

General Counsel

Special Counsel Pool

Special Counsel Pool

Special Counsel Pool

Special Counsel Pool

Bond Counsel

Financial Advisor

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

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

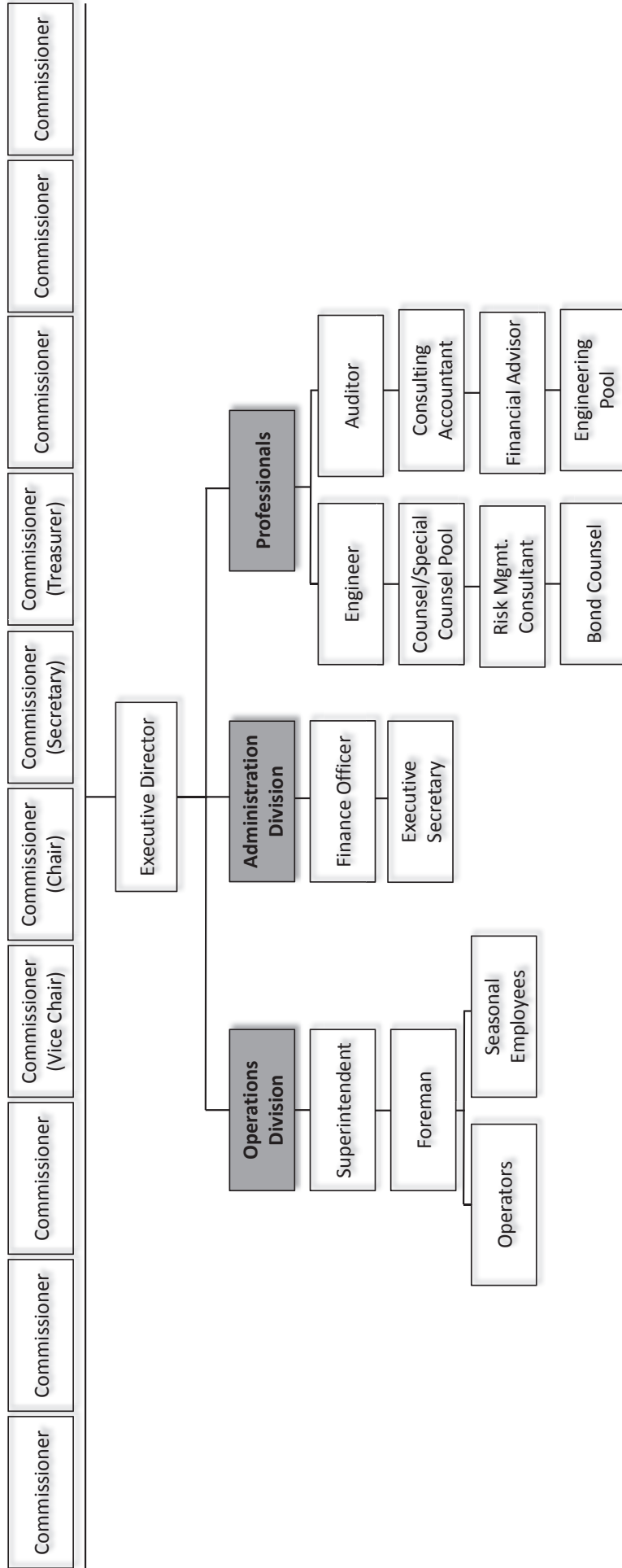
Auditor

Consulting Accountant





**APPENDIX C:
MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
2022 ORGANIZATIONAL CHART**





INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of Manasquan River Regional Sewerage Authority
County of Monmouth
Farmingdale, New Jersey 07727

Report on the Audit of the Financial Statements

Opinion

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, (hereafter referred to as the "Authority") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed on the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 *Government Auditing Standards*. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Commission's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 19, 2023
Lakewood, 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**

Honorable Chairman and Members
of Manasquan River Regional Sewerage Authority
County of Monmouth
Farmingdale, New Jersey 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, County of Monmouth, State of New Jersey (herein referred to as “the Authority”), as of and for the year ended December 31, 2022, 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 19, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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* 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.

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.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

July 19, 2023
Lakewood, 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:

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

STATEMENT OF NET POSITION

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current Assets:			
Unrestricted	\$ 15,218,762	\$ 14,054,083	\$ 12,291,215
Restricted	818,475	814,603	819,901
Capital Assets, Net	<u>13,636,545</u>	<u>13,583,617</u>	<u>14,284,449</u>
Total Assets	<u>\$ 29,673,782</u>	<u>\$ 28,452,303</u>	<u>\$ 27,395,565</u>
Deferred Outflow of Resources	<u>\$ 153,195</u>	<u>\$ 205,222</u>	<u>\$ 529,245</u>
Liabilities:			
Current Liabilities:			
Unrestricted	\$ 2,171,437	\$ 1,989,914	\$ 2,257,532
Restricted	545,577	516,421	521,734
Non-Current Liabilities	<u>4,265,974</u>	<u>4,354,475</u>	<u>5,441,383</u>
Total Liabilities	<u>\$ 6,982,988</u>	<u>\$ 6,860,810</u>	<u>\$ 8,220,649</u>
Deferred Inflow of Resources	<u>\$ 857,778</u>	<u>\$ 1,524,115</u>	<u>\$ 1,554,946</u>
Net Position:			
Invested in Capital Fixed Assets, Net of Related Debt	\$ 11,068,161	\$ 10,629,505	\$ 10,934,309
Unrestricted	<u>10,918,050</u>	<u>9,643,095</u>	<u>7,214,906</u>
Total Net Position	<u>\$ 21,986,211</u>	<u>\$ 20,272,600</u>	<u>\$ 18,149,215</u>

The net position of the Authority increased to \$21,986,211 during 2022, a \$1,713,611 increase from 2021.

REVIEW OF REVENUES

Years Ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Service Charges	\$ 13,649,421	\$ 14,255,654	\$ 13,934,810
Connection Fees	<u>514,470</u>	<u>580,483</u>	<u>696,918</u>
Total Operating Revenues	<u>14,163,891</u>	<u>14,836,137</u>	<u>14,631,728</u>
Non-Operating Revenues:			
Gain on Sale Leaseback	41,194	41,194	41,194
Interest Revenue	84,639	36,896	276,283
Other	<u>159,076</u>	<u>77,956</u>	<u>177,294</u>
Total Non-Operating Revenues	<u>284,909</u>	<u>156,046</u>	<u>494,771</u>
Total Revenues	\$ <u>14,448,800</u>	\$ <u>14,992,183</u>	\$ <u>15,126,499</u>

In 2022, revenues decreased by \$543,383 when compared to 2021. The change in revenues was mainly attributable to a decrease in service charges.

REVIEW OF EXPENSES

Years Ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Expenses:			
Personnel Services	\$ 1,406,449	\$ 1,262,614	\$ 1,591,996
Purchase of Services	9,148,855	9,566,107	9,379,148
Other Operating Expenses	1,096,772	1,076,980	1,635,779
Depreciation	<u>902,464</u>	<u>858,307</u>	<u>822,342</u>
Total Operating Expenses	<u>12,554,540</u>	<u>12,764,008</u>	<u>13,429,265</u>
Non-Operating Expenses:			
Loss on Disposal of Assets	106,202	268,644	50,516
Bond Interest Expense	<u>74,447</u>	<u>89,555</u>	<u>102,722</u>
Total Non-Operating Expenses	<u>180,649</u>	<u>358,199</u>	<u>153,238</u>
Total Expenses	\$ <u>12,735,189</u>	\$ <u>13,122,207</u>	\$ <u>13,582,503</u>

In 2022, expenses decreased \$387,018 when compared to 2021. The change in expenses was mainly attributable to a decrease in recognized losses on disposal of assets and purchase of services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation

In 2022, capital assets had a net increase (addition, deductions and depreciation) of \$52,928.

Years Ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 1,431,160	\$ 1,431,160	\$ 1,431,160
Buildings	1,608,958	1,696,412	1,784,215
Equipment and Apparatus	286,990	288,162	240,422
Office Equipment	7,183	7,183	7,183
Vehicles	248,403	251,757	161,356
Conveyance System	9,177,534	9,193,217	9,460,154
Construction in Progress	<u>876,317</u>	<u>715,726</u>	<u>1,199,958</u>
Total Capital Assets, Net	\$ <u>13,636,545</u>	\$ <u>13,583,617</u>	\$ <u>14,284,448</u>

DEBT OUTSTANDING

The Authority's bonded debt was \$2,505,000 at December 31, 2022, a decrease of \$350,000 when compared to 2021. 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, 2022 AND 2021

Sheet 1 of 2

	<u>2022</u>	<u>Restated 2021</u>
<u>Assets</u>		
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	\$ 14,094,440	\$ 13,152,534
Intergovernmental Accounts Receivable	1,102,553	886,637
Inventory	21,769	14,912
Total Unrestricted Current Assets	<u>15,218,762</u>	<u>14,054,083</u>
Restricted Assets:		
Cash and Cash Equivalents	550,726	521,570
Funds Held by Trustee	267,749	293,033
Total Restricted Current Assets	<u>818,475</u>	<u>814,603</u>
Total Current Assets	<u>16,037,237</u>	<u>14,868,686</u>
Capital Assets:		
Land	1,431,160	1,431,160
Buildings	2,956,213	2,956,213
Equipment and Apparatus	1,843,243	1,811,166
Office Equipment	78,957	78,957
Vehicles	457,403	487,339
Conveyance System	22,713,041	21,977,372
Construction in Progress	876,317	715,726
	<u>30,356,334</u>	<u>29,457,933</u>
Less: Accumulated Depreciation	16,719,789	15,874,316
Capital Assets, Net	<u>13,636,545</u>	<u>13,583,617</u>
Total Assets	<u>29,673,782</u>	<u>28,452,303</u>
<u>Deferred Outflow of Resources</u>		
Related to Pensions	153,195	205,222
Total Deferred Outflow of Resources	<u>153,195</u>	<u>205,222</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 29,826,977</u>	<u>\$ 28,657,525</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, 2022 AND 2021

Sheet 2 of 2

	<u>2022</u>	<u>Restated 2021</u>
<u>Liabilities</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 190,644	\$ 167,519
Accrued Expenses	7,887	7,531
Accrued Interest Payable	52,188	59,479
Overpayment of Service Charges	1,338,323	1,201,153
Payroll Deductions Payable	677	-
Sewer Revenue Bonds Payable	431,012	411,012
Pension Payable	150,706	143,220
Total Current Liabilities Payable from Unrestricted Assets	<u>2,171,437</u>	<u>1,989,914</u>
Current Liabilities Payable from Restricted Assets:		
Escrow Accounts - Review Fees	545,577	516,421
Total Current Liabilities Payable from Restricted Assets	<u>545,577</u>	<u>516,421</u>
Non-Current Liabilities:		
Sewer Revenue Bonds Payable	2,405,122	2,836,133
Compensated Absences Payable	57,304	48,747
Net OPEB Liability	-	20,844
Net Pension Liability	1,803,548	1,448,751
Total Non-Current Liabilities	<u>4,265,974</u>	<u>4,354,475</u>
Total Liabilities	<u>6,982,988</u>	<u>6,860,810</u>
<u>Deferred Inflow of Resources</u>		
Related to Pensions	413,962	1,039,105
Unearned Profit on Sales - Leaseback	443,816	485,010
Total Deferred Inflow of Resources	<u>857,778</u>	<u>1,524,115</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	11,068,161	10,629,505
Unrestricted	10,918,050	9,643,095
Total Net Position	<u>21,986,211</u>	<u>20,272,600</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 29,826,977</u>	<u>\$ 28,657,525</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, 2022 AND 2021

	<u>2022</u>	<u>Restated 2021</u>
Operating Revenue:		
Service Charges	\$ 13,649,421	\$ 14,255,654
Connection Fees	514,470	580,483
Total Operating Revenue	<u>14,163,891</u>	<u>14,836,137</u>
Operating Expenses:		
Personnel Services	1,406,449	1,262,614
Purchase of Services	9,148,855	9,566,107
Other Operating Expenses	1,096,772	1,076,980
Depreciation	902,464	858,307
Total Operating Expenses	<u>12,554,540</u>	<u>12,764,008</u>
Operating Income	<u>1,609,351</u>	<u>2,072,129</u>
Non-Operating Revenue/(Expenses):		
Gain on Sale Leaseback	41,194	41,194
Interest Revenue	84,639	36,896
Gain/(Loss) on Disposal of Assets	(106,202)	(268,644)
Bond Interest Expense	(74,447)	(89,555)
Other Non-Operating Revenues	159,076	77,956
Total Non-Operating Revenue/(Expenses)	<u>104,260</u>	<u>(\$202,153)</u>
Net Income	1,713,611	1,869,976
Net Position January 1	<u>20,272,600</u>	<u>18,149,215</u>
Restatement (Note 18)	-	253,409
Net Position January 1, as Restated	<u>20,272,600</u>	<u>18,402,624</u>
Net Position December 31	<u>\$ 21,986,211</u>	<u>\$ 20,272,600</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, 2022 AND 2021

Sheet 1 of 2

	<u>2022</u>	<u>Restated 2021</u>
Cash Flows from Operating Activities:		
Cash Received from Service Charges	\$ 13,832,748	\$ 14,102,244
Cash Received from Service Surcharges	46,835	63,536
Cash Received from Connection Fees	514,470	580,483
Cash Received from Miscellaneous	114,970	26,839
Cash Received/Payments from/to Escrows	29,156	(5,313)
Cash Payments for Goods and Services	(11,110,592)	(11,251,886)
Cash Payments to Employees	(1,061,408)	(1,018,008)
Net Cash Flows from Operating Activities	<u>2,366,179</u>	<u>2,497,895</u>
Cash Flows from Capital and Related Financing Activities:		
Disposal of Assets	11,979	-
Payments for Capital Acquisitions	(1,024,269)	(417,452)
Bond Payments	(350,000)	(335,000)
Interest Paid	(142,750)	(156,150)
Net Cash Flows from Capital and Related Financing Activities	<u>(1,505,040)</u>	<u>(908,602)</u>
Cash Flows from Investing Activities:		
Receipts of Interest	84,639	36,896
Net Cash Flows from Investing Activities	<u>84,639</u>	<u>36,896</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	945,778	1,626,189
Cash and Cash Equivalents January 1	<u>13,967,137</u>	<u>12,340,948</u>
Cash and Cash Equivalents December 31	<u>\$ 14,912,915</u>	<u>\$ 13,967,137</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, 2022 AND 2021

Sheet 2 of 2

	<u>2022</u>	<u>Restated 2021</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,609,351	\$ 2,072,129
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	902,464	858,307
Escrow Accounts - Review Fees (From)/To	29,156	(5,313)
Non-Operating Miscellaneous Revenue	159,076	77,956
(Increase)/Decrease in Intergovernmental Receivables	(215,916)	126,814
(Increase)/Decrease in Inventory	(6,856)	(4,785)
Increase/(Decrease) in Accounts Payable	(18,692)	(182,454)
Increase/(Decrease) in Accrued Expenses	356	3,884
Increase/(Decrease) in Payroll Deductions Payable	677	-
Increase/(Decrease) in Net OPEB Liability	(20,844)	(52,879)
(Increase)/Decrease in Deferred OPEB Outflows	-	8,963
Increase/(Decrease) in Pension Liability	354,797	(625,244)
(Increase)/Decrease in Deferred Pension Outflows	52,027	315,060
Increase/(Decrease) in Deferred Pension Inflows	(625,143)	10,362
Increase/(Decrease) in Overpayment of User Fees	137,169	(107,132)
Increase/(Decrease) in Compensated Absences Payable	8,557	2,227
Total Adjustments	<u>756,828</u>	<u>425,766</u>
Net Cash Provided by Operating Activities	<u>\$ 2,366,179</u>	<u>\$ 2,497,895</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, 2022 AND 2021

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.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Impact of Recently Issued Accounting Principles

Recent Accounting Pronouncements - The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB adopts accounting statements (Statements) to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP). The municipalities in the State of New Jersey do not prepare their financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

Accounting Pronouncements Adopted in Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2022:

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 93, *Replacement of Interbank Offered Rates*. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020.

Statement No. 87, *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

Management has determined that the implementation of these Statements did not have a significant impact on the Authority's financial statements.

Accounting Pronouncements Effective in Future Reporting Periods

Statement No. 93, *Replacement of Interbank Offered Rates*. The requirement in paragraph 11b of this Statement is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for reporting periods beginning after June 15, 2021.

Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Requirements of this pronouncement related to section 1, paragraph 4 are effective immediately. All other requirements will be effective for reporting periods beginning June 15, 2021. Management has determined the implementation of certain provisions within this Statement did not have a significant impact on the Authority's financial statements.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021 is \$21,769 and \$14,912, 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

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.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 is \$57,304 and as of December 31, 2021 was \$48,747. 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.

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, 2022 and 2021 was \$331,134 and \$392,145, 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.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 qualifies 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.

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, 2021
- Measurement Date: June 30, 2022
- Measurement Period: July 1, 2021 to June 30, 2022

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 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, 2022 through the date of July 19, 2023, which is the date the financial statements were available to be issued.

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.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

C. Restricted Cash

Restricted cash at December 31, 2022 and 2021 totaled \$818,475 and \$814,603, respectively. At December 31, 2022, restricted cash consisted of \$550,726 of escrow deposits for review and inspection of developers' projects within the Authority service region and \$267,749 of funds held by trustee. At December 31, 2021, restricted cash consisted of \$521,570 of escrow deposit and \$293,033 of funds held by trustee.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2022 and 2021 the carrying amounts of the Authority's deposits were \$14,645,165 and \$13,674,104, respectively. The bank balance amount was \$14,663,421 and \$13,682,337 at December 31, 2022 and 2021. Of this amount \$250,000 was covered by federal depository insurance at December 31, 2022 and 2021. A collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$13,862,696 and \$12,910,767 as of December 31, 2022 and 2021, respectively. An amount of \$550,726 and \$521,570 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, 2022 and 2021.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2022 and 2021 are summarized by major classification as follows:

	<u>2022</u>	<i>Restated</i> <u>2021</u>
OCUA Excess Service Charges	\$ 834,094	\$ 564,224
Service Surcharges	15,050	12,244
Service Charges	253,409	299,687
Reimbursements	-	10,482
	<u>\$ 1,102,553</u>	<u>\$ 886,637</u>

See additional information of statement of Service charges in Note 5.

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>2022</u>	<u>2021</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	\$ 2,505,000	\$ 2,855,000
Less: Current Portion	<u>370,000</u>	<u>350,000</u>
Long-Term Debt	<u>\$ 2,135,000</u>	<u>\$ 2,505,000</u>

A summary of maximum annual debt service for principal and interest for bonded debt issued and outstanding at December 31, 2022 is provided below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 370,000	\$ 125,250	\$ 495,250
2024	385,000	106,750	491,750
2025	405,000	87,500	492,500
2026	425,000	67,250	492,250
2027	450,000	46,000	496,000
2028	<u>470,000</u>	<u>23,500</u>	<u>493,500</u>
	<u>\$ 2,505,000</u>	<u>\$ 456,250</u>	<u>\$ 2,961,250</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Due Within</u> <u>One Year</u>
Sewer Revenue Bonds (Series 2013)	\$ 2,855,000	\$	\$ 350,000	\$ 2,505,000	\$ 370,000
Unamortized Bond Premium	392,145	—	61,011	331,134	61,012
Subtotal	3,247,145	—	411,011	2,836,134	431,012
Compensated Absences	48,747	8,557	—	57,304	—
Pension Liability	1,448,751	354,797	—	1,803,548	—
OPEB Liability	20,844	—	20,844	—	—
	<u>\$ 4,765,487</u>	<u>\$ 363,354</u>	<u>\$ 431,855</u>	<u>\$ 4,696,986</u>	<u>\$ 431,012</u>
	<u>Balance</u> <u>Jan. 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Due Within</u> <u>One Year</u>
Sewer Revenue Bonds (Series 2013)	\$ 3,190,000	\$	\$ 335,000	\$ 2,855,000	\$ 350,000
Unamortized Bond Premium	453,157	—	61,012	392,145	61,012
Subtotal	3,643,157	—	396,012	3,247,145	411,012
Compensated Absences	46,520	2,227	—	48,747	—
Pension Liability	2,073,995	—	625,244	1,448,751	—
OPEB Liability	73,723	—	52,879	20,844	—
	<u>\$ 5,837,395</u>	<u>\$ 2,227</u>	<u>\$ 1,074,135</u>	<u>\$ 4,765,487</u>	<u>\$ 411,012</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, 2022 AND 2021

NOTE 7. OVERPAYMENT OF SERVICE CHARGES

Service charges collected in advance are recorded as cash liabilities in the financial statements. The following is a comparison of the liability for the previous two years:

	Balance	Balance
	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Overpayment of Service Charges	\$ 1,338,323	\$ 1,201,153

On February 17, 2021 the Authority passed Resolution 2021-16, authorizing escrow agreements with participants for annual charge credits. Beginning with the overpayment of service charges at December 31, 2021, participants will have the option to receive the full credit against the first quarter invoice of the subsequent year or keep all or a portion thereof in an escrow account with the Authority for the sole purpose of use for future Authority Annual Charge payments.

NOTE 8. 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 9. RATE SCHEDULE

2022 Rate - A 2022 rate of \$5,986 per million gallons was adopted by the Authority on November 10, 2021, based on the 2022 budget requirements.

Subsequent Event

2023 Rate - A 2023 rate of \$6,136 per million gallons was adopted by the Authority on November 9, 2022, based on the 2023 budget requirements.

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 2022 were \$2,351 per unit effective July 21, 2021 until July 20, 2022 when the amount increased to \$2,358.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11. CONSTRUCTION COMMITMENTS

The Authority has active construction projects at December 31, 2022. The projects include construction improvements to waste water treatment and delivery systems.

<u>Project</u>	<u>Completed to Date</u>	<u>Remaining Commitment</u>
Custom Controls and SCADA System	\$ <u>-0-</u>	\$ <u>539,100</u>

NOTE 12. CAPITAL ASSETS

Activity in the capital assets for the Authority for the years ended December 31, 2022 and 2021 was as follows:

	<u>Balance Dec. 31, 2021</u>	<u>Increased by Current Year Additions</u>	<u>Transfers</u>	<u>Decreased by Retirements</u>	<u>Balance Dec. 31, 2022</u>
<u>Owned Property</u>					
Non-depreciable Assets:					
Land	\$ 1,431,160				\$ 1,431,160
Depreciable Assets:					
Buildings	2,956,213				2,956,213
Equipment and Apparatus	1,811,166	32,077			1,843,243
Office Equipment	78,957				78,957
Vehicles	487,339	33,145		63,081	457,403
Conveyance System	21,977,372	12,541	723,128		22,713,041
Construction in Progress	715,726	995,810	(723,128)	112,091	876,317
Total Historical Cost	<u>29,457,933</u>	<u>1,073,573</u>	<u></u>	<u>175,172</u>	<u>30,356,334</u>
Less Accumulated Depreciation:					
Buildings	1,259,801	87,454			1,347,255
Equipment and Apparatus	1,523,003	33,250			1,556,253
Office Equipment	71,774				71,774
Vehicles	235,582	30,409		56,991	209,000
Conveyance System	12,784,156	751,351			13,535,507
Total Accumulated Depreciation	<u>15,874,316</u>	<u>902,464</u>	<u></u>	<u>56,991</u>	<u>16,719,789</u>
Total Capital Assets, Net	<u>\$ 13,583,617</u>	<u>\$ 171,109</u>	<u>\$</u>	<u>\$ 118,181</u>	<u>\$ 13,636,545</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12. CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>Dec. 31, 2020</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, 2021</u>
<u>Owned Property</u>					
Non-depreciable Assets:					
Land	\$ 1,431,160				\$ 1,431,160
Depreciable Assets:					
Buildings	2,956,213				2,956,213
Equipment and Apparatus	1,735,503	75,663			1,811,166
Office Equipment	78,957				78,957
Vehicles	373,318	63,105	50,916		487,339
Conveyance System	21,525,348		452,024		21,977,372
Construction in Progress	1,199,958	287,352	(502,940)	268,644	715,726
Total Historical Cost	<u>29,300,457</u>	<u>426,120</u>		<u>268,644</u>	<u>29,457,933</u>
Less Accumulated Depreciation:					
Buildings	1,171,998	87,803			1,259,801
Equipment and Apparatus	1,495,081	27,922			1,523,003
Office Equipment	71,774				71,774
Vehicles	211,962	23,620			235,582
Conveyance System	12,065,194	718,962			12,784,156
Total Accumulated Depreciation	<u>15,016,009</u>	<u>858,307</u>			<u>15,874,316</u>
Total Capital Assets, Net	<u>\$ 14,284,448</u>	<u>\$ (432,187)</u>		<u>\$ 268,644</u>	<u>\$ 13,583,617</u>

NOTE 13. 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 14. 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.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 14. CONTINGENT LIABILITIES (CONTINUED)

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 15. 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.

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

The Authority provided 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 was a single employer defined benefit OPEB plan that was administered on a pay-as-you-go basis. The Authority Plan does not issue a separate financial report.

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

Employees and Retirees Covered - At December 31, 2022 no employees were covered by the Authority plan.

Actuarial Assumptions and Other Inputs

This valuation has been conducted as of December 31, 2022 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, 2022 of \$-0- is measured at December 31, 2022 as allowed under GASB 75.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

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:

Changes in the Total OPEB Liability - The changes to the total OPEB Liability during the years ending December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Balance January 1	\$ 20,844	\$ 73,723
Interest Cost	225	1,207
Changes in Assumptions		(1,134)
Difference Between Expected and Actual Experience	(1,294)	(19,412)
Benefits Paid (Implicit)	<u>(19,775)</u>	<u>(33,540)</u>
Net Changes	<u>(20,844)</u>	<u>(52,879)</u>
Balance December 31	\$ <u><u>-0-</u></u>	\$ <u><u>20,844</u></u>

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 (1.06 percent) or 1-percentage pointer higher (3.06 percent) that the current discount rate:

	<u>At December 31, 2021</u>		
	<u>At 1% Decrease (1.06%)</u>	<u>At Discount Rate (2.06%)</u>	<u>At 1% Increase (3.06%)</u>
Total OPEB Liability	\$ 20,941	\$ 20,844	\$ 20,749

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (Continued)

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 point higher than the current healthcare cost trend rate:

	December 31, 2021		
	1%	Current	1%
	Decrease	Health Care Trend Rate	Increase
Total OPEB Liability	\$ 20,396	\$ 20,844	\$ 21,248

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

For the year ended December 31, 2022, the Authority's OPEB credit was estimated to be \$-0-. At December 31, 2022 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -0-	\$ -0-

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

Year Ending December 31	OPEB
2022	\$ -0-
2023	-0-
2024	-0-
2025	-0-
2026	-0-
Thereafter	-0-

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17. 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 Annual Comprehensive Financial Report (ACFR) 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.

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, 2022 AND 2021

NOTE 17. PENSION OBLIGATIONS (CONTINUED)

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 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 fiscal year 2022 the State's pension contribution was more than the actuarial determined amount. For fiscal year 2021 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, 2013 and will be adjusted by the rate of return on the actuarial value of assts. Authority contributions to PERS amounted to \$150,706 for 2022.

Net Pension Liability and Pension Expense - At December 31, 2022, the Authority's proportionate share of the PERS net pension liability is valued to be \$1,803,548. The net pension liability was measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022. 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, 2022. The Authority's proportion measured as of June 30, 2022, was .001195%, which was a decrease of .00034% from its proportion measured as of June 30, 2021.

Collective Balances at December 31, 2022 and December 31, 2021

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Actuarial Valuation Date (including roll forward)	July 1, 2022	July 1, 2021
Deferred Outflows of Resources	\$ 153,195	\$ 205,222
Deferred Inflows of Resources	\$ 143,195	\$ 1,039,105
Net Pension Liability	\$ 1,803,548	\$ 1,448,751
Authority's Portion of the Plan's Total		
Net Pension Liability	0.01195%	0.01223%

For the year ended December 31, 2022, the Authority recognized a net pension benefit of \$67,613.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17. PENSION OBLIGATIONS (CONTINUED)

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

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2022, 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	\$ 13,017	\$ 11,479
Changes of assumptions	5,588	270,063
Net difference between projected and actual earnings on pension plan investments	74,647	
Changes in proportion	<u>59,943</u>	<u>132,420</u>
	<u>\$ 153,195</u>	<u>\$ 413,962</u>

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>
2023	\$ (169,202)
2024	(93,313)
2025	(52,934)
2026	69,362
2027	<u>(14,680)</u>
	<u>\$ (260,767)</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17. PENSION OBLIGATIONS (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2017	5.48	
June 30, 2018		5.63
June 30, 2019	5.21	
June 30, 2020	5.16	
June 30, 2021		5.13
June 30, 2022		5.04
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2017		5.48
June 30, 2018		5.63
June 30, 2019		5.21
June 30, 2020		5.16
June 30, 2021	5.13	
June 30, 2022		5.04
Differences between projected and actual investment earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2018		5.00
June 30, 2019	5.00	
June 30, 2020	5.00	
June 30, 2021		5.00
June 30, 2022	5.00	

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17. 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>
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13
June 30, 2022	5.04	5.04

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:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75 - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2018 - June 30, 2021

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17. PENSION OBLIGATIONS (CONTINUED)

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

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

Actuarial Assumptions (Continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future 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.

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, 2022) 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, 2022 are summarized in the following table:

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17. PENSION OBLIGATIONS (CONTINUED)

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

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	27.00%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private equity	13.00%	11.80%
Real estate	8.00%	11.19%
Real assets	3.00%	7.60%
High yield	4.00%	4.95%
Private credit	8.00%	8.10%
Investment grade credit	7.00%	3.38%
Cash equivalents	4.00%	1.75%
U.S. treasuries	4.00%	1.75%
Risk mitigation strategies	3.00%	4.91%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Municipal bond rates of 2.16% as of June 30, 2021 and 3.54% as of June 30, 2022 were used in the development of the blended GASB discount rate after the Plan's fiduciary net position was no longer sufficient to make future benefit payments, when applicable. As selected by the State Treasurer, the rates are based on the Bond Buyer GO 20-Bond Municipal Bond Index. As of June 30, 2022, based on the assumptions above, the pension Plan's fiduciary net position is expected to be sufficient to make all projected future benefit payments for current Plan members; therefore, the GASB discount rate as of June 30, 2022 is equal to the long-term rate of return of 7.00%.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17. PENSION OBLIGATIONS (CONTINUED)

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

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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	Decrease (6.00%)	Discount (7.00%)	Increase (8.00%)
Authority's Proportional Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Authority	\$ 2,321,380	\$ 1,803,548	\$ 1,362,853

NOTE 18. RESTATEMENT OF NET POSITION

Net Position at January 1, 2022 was restated for the reclassification of an Intergovernmental Accounts Receivable due to an underpayment of Service Charge. An independent metering study, in conjunction with comprehensive review by management, resulted in replacement of a wastewater metering device that had met the end of its useful life and was determined to be operating outside of acceptable tolerance. Said discovery has resulted in an increase in net position of \$253,409 at January 1, 2022.

Net position at January 2022, as original reported	\$18,149,215
Adjustment for Prior Period	253,409
Net position at January 2022, as restated	18,402,624

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF

Schedule 1

THE NET PENSION LIABILITY

FOR THE YEARS ENDED DECEMBER 31, 2022 THROUGH 2013
(UNAUDITED)

	December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.012%	0.012%	0.013%	0.012%	0.013%	0.012%	0.013%	0.006%	0.007%	0.007%
Authority's proportionate share of the net pension liability	\$ 1,803,548	\$ 1,448,751	\$ 2,073,995	\$ 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	\$ 910,516	\$ 880,764	\$ 893,187	\$ 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	198.080%	164.488%	232.202%	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	62.907%	70.335%	58.320%	56.271%	53.597%	48.100%	47.928%	52.080%	42.741%	40.713%

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

Schedule 2

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FOR THE YEARS ENDED DECEMBER 31, 2022 THROUGH 2013

(UNAUDITED)

	December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 150,706	\$ 143,220	\$ 139,130	\$ 120,892	\$ 129,752	\$ 110,353	\$ 80,104	\$ 114,315	\$ 119,022	\$ 106,870
Contributions in relation to the contractually required contribution	150,706	143,220	139,130	120,892	129,752	110,353	80,104	114,315	119,022	106,870
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Authority's covered-employee payroll	\$ 910,516	\$ 880,764	\$ 893,187	\$ 934,019	\$ 879,549	\$ 866,211	\$ 796,001	\$ 872,906	\$ 995,964	\$ 1,008,901
Contributions as a percentage of covered-employee payroll	16.55%	16.26%	15.58%	12.94%	14.75%	12.74%	10.06%	13.10%	11.95%	10.59%

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF OPEB FUNDING PROGRESS

Schedule 3

LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2022

(UNAUDITED)

	December 31			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Measurement Date	12/31/22	12/31/21	12/31/20	12/31/19
Interest Cost	\$ 225	\$ 1,206	\$ 2,413	\$ 3,217
Changes of Assumptions		(1,134)	49	
Difference between Actual and Expected Benefits Paid (Implicit)	(1,294)	(19,411)	(33,540)	39,614
Net Change in Total OPEB Liability	<u>(20,844)</u>	<u>(52,879)</u>	<u>(31,078)</u>	<u>9,867</u>
Total OPEB Liability - Beginning of Year	<u>20,844</u>	<u>73,723</u>	<u>104,801</u>	<u>94,934</u>
Total OPEB Liability - End of Year	<u><u>\$ -0-</u></u>	<u><u>\$ 20,844</u></u>	<u><u>\$ 73,723</u></u>	<u><u>\$ 104,801</u></u>
Total Covered Payroll	\$ -0-	\$ 880,764	\$ 893,187	\$ 934,019
Net OPEB Liability as a Percentage of Covered Payroll	0.00%	2.37%	8.25%	11.22%
			\$ 879,549	\$ 879,549

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, 2022

(UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>December 31</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$ -0-	\$ 20,844	\$ 73,723	\$ 104,801	\$ 94,934
Fiduciary Net Position	-0-	-0-	-0-	-0-	-0-
Net OPEB Liability	\$ -0-	\$ 20,844	\$ 73,723	\$ 104,801	\$ 94,934
Funded Ratio	0%	0%	0%	0%	0%
Covered Payroll	\$ -0-	\$ 880,764	\$ 893,187	\$ 934,019	\$ 879,549
Net OPEB Liability as a Percentage of Covered Payroll	0%	2.37%	8.25%	11.22%	10.79%

This schedule is presented to illustrate the requirement for 10 years. However; until a full 10 year trend is completed, 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, 2022 AND 2021

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate was 7.00% as of June 30, 2021 and June 30, 2022.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 2.12% as of December 31, 2020, to 2.06% as of December 31, 2021.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 5

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2022

Sheet 1 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2021

(NON-GAAP BUDGETARY BASIS)

	<u>2022</u>		<u>2022</u>		<u>2021</u>
	<u>Budget</u>		<u>Actual</u>		<u>Actual</u>
<u>Anticipated Revenues</u>					
Operating Revenues:					
Service Fees	\$ 14,401,595	\$	13,649,421	\$	14,255,654
Connection Fees	250,000		514,470		580,483
Total Operating Revenues	<u>14,651,595</u>		<u>14,163,891</u>		<u>14,836,137</u>
Non-Operating Revenues:					
Interest on Investments	-		84,639		36,896
Application Fees	7,500		18,475		7,950
Other Non-Operating Revenues	139,320		152,580		70,006
Total Non-Operating Revenues	<u>146,820</u>		<u>255,694</u>		<u>114,852</u>
Total Anticipated Revenues	\$ <u>14,798,415</u>	\$	\$ <u>14,419,585</u>	\$	\$ <u>14,950,989</u>
<u>Budget Appropriations</u>					
Operating Appropriations:					
Administration:					
Salaries and Wages	\$ 417,200	\$	336,040	\$	326,766
Fringe Benefits	450,780		284,419		303,308
Other Expenses	499,050		469,212		304,269
Total Administration	<u>1,367,030</u>		<u>1,089,671</u>		<u>934,343</u>
Cost of Providing Service:					
Salaries and Wages	800,000		694,867		668,211
Fringe Benefits	379,120		313,887		297,867
Other Expenses	10,794,015		9,759,059		10,313,349
Total Cost of Providing Service	<u>11,973,135</u>		<u>10,767,813</u>		<u>11,279,427</u>
Capital Outlay	<u>140,500</u>		<u>1,981,206</u>		<u>736,421</u>
Total Principal Payments on Debt Service in Lieu of Depreciation	<u>462,500</u>		<u>350,000</u>		<u>335,000</u>
Total Operating Appropriations	<u>13,943,165</u>		<u>14,188,690</u>		<u>13,285,191</u>
Non-Operating Appropriations:					
Total Interest Payments	255,250		142,750		156,150
Renewal and Replacement Reserve	250,000		250,000		250,000
Other Reserves	350,000		350,000		350,000
Total Non-Operating Appropriations	<u>855,250</u>		<u>742,750</u>		<u>756,150</u>
Total Operating and Non-Operating Appropriations	\$ <u>14,798,415</u>	\$	\$ <u>14,931,440</u>	\$	\$ <u>14,041,341</u>
Unrestricted Net Position Utilized					148,715
Total Appropriations - Unreserved Retained Earnings	\$ <u>14,798,415</u>		<u>14,931,440</u>		<u>13,892,626</u>
Excess/(Deficit) of Revenues over Appropriations			<u>(511,855)</u>		<u>1,058,363</u>
Transfers from Budgetary Basis Designated Reserves					
Renewal and Replacement Reserve			250,000		-
Other Reserves			350,000		-
Capital Reserve			1,855,009		632,288
Total Transfer from Budgetary Basis Designated Reserves			<u>2,455,009</u>		<u>632,288</u>
Total Result of Operations - Non-GAAP Budgetary Basis		\$	\$ <u>1,943,154</u>	\$	\$ <u>1,690,651</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 5

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2022

Sheet 2 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2021

(NON-GAAP BUDGETARY BASIS)

<u>Administration</u>	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Salaries and Wages:			
Commissioner's Salaries	\$ 46,000	\$ 45,550	\$ 44,440
Administrators Salaries	371,200	290,490	282,326
Total Salaries and Wages	<u>417,200</u>	<u>336,040</u>	<u>326,766</u>
Fringe Benefits:			
Social Security	27,540	24,081	23,435
Public Employees' Retirement System	42,672	43,653	42,511
Health Benefits	367,076	214,678	235,685
Unemployment	1,540	899	818
Disability	222	150	136
Vision	1,730	958	723
Accumulated Sick Leave	10,000	-	-
Total Fringe Benefits	<u>450,780</u>	<u>284,419</u>	<u>303,308</u>
Other Expenses:			
Office Supplies	5,000	3,946	3,942
Postage	2,500	760	1,016
Legal Advertising	2,500	2,003	1,527
Telephone	36,500	21,721	22,384
Conference, Travel and Dues	15,000	10,036	6,011
Operation and Maintenance of Vehicles	1,200	300	410
Insurance	73,500	75,904	70,851
Office Equipment Maintenance	65,000	38,562	40,820
Miscellaneous	2,500	1,097	1,531
Employee Assistance Service	350	110	66
Permits and Fees	7,500	3,665	1,798
General Counsel	45,000	26,459	15,588
Special Counsel	55,000	80,000	
Auditor	30,000	27,850	27,725
Bonding Costs	7,500	175	175
Financial Advisor	5,000	2,225	1,500
Cybersecurity Consultant	10,000	-	-
Controls and Instrumentation	5,000	-	-
Engineer	130,000	174,399	108,925
Total Other Expenses	<u>499,050</u>	<u>469,212</u>	<u>304,269</u>
Total Administration	<u>\$ 1,367,030</u>	<u>\$ 1,089,671</u>	<u>\$ 934,343</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 5

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2022

Sheet 3 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2021

(NON-GAAP BUDGETARY BASIS)

	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
<u>Cost of Providing Service</u>			
Salaries and Wages:			
Operator' Salaries	\$ 750,000	\$ 667,621	\$ 635,934
Overtime	50,000	27,246	32,277
Total Salaries and Wages	<u>800,000</u>	<u>694,867</u>	<u>668,211</u>
Fringe Benefits:			
Social Security	57,460	50,244	47,926
Public Employees' Retirement System	97,328	99,567	97,145
Health Benefits	209,674	161,357	150,431
Vision	1,270	703	531
Unemployment	2,960	1,728	1,572
Disability	428	288	262
Accumulated Sick Leave	10,000	-	-
Total Fringe Benefits	<u>379,120</u>	<u>313,887</u>	<u>297,867</u>
Other Expenses:			
NJ One Call	2,000	1,434	1,496
Electricity	225,000	132,410	145,256
Fuel Oil	20,000	9,883	10,754
Chemicals	310,000	164,119	168,456
Gasoline	25,000	21,402	16,007
Maintenance Materials	7,500	1,612	5,507
Operation of Vehicles	9,000	5,389	7,994
Site Maintenance	7,500	6,869	4,693
Training and Seminars	10,000	6,735	505
Contracts - Repair and Maintenance	167,000	148,298	135,313
Liquid Oxygen Tank Rentals			
Repair of Equipment	75,000	71,669	62,648
Safety Equipment	12,500	10,190	12,418
Tools and Equipment	3,500	1,841	3,505
Uniform Service	6,000	5,815	4,243
Miscellaneous	1,000	36	12
Water	5,000	3,819	2,804
Instrumentation Replacement	10,000	8,191	9,873
Manhole Maintenance	20,000	-	-
Emergency Repairs	175,000	10,492	155,758
Service Charges:			
OCUA	9,633,015	9,081,651	9,509,042
BTMUA	70,000	67,204	57,065
Total Other Expenses	<u>10,794,015</u>	<u>9,759,059</u>	<u>10,313,349</u>
Total Cost of Providing Service	\$ <u>11,973,135</u>	\$ <u>10,767,813</u>	\$ <u>11,279,427</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 5

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2022

Sheet 4 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2021

(NON-GAAP BUDGETARY BASIS)

	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Capital Outlay:			
System Equipment	\$ 72,000	\$ 68,405	\$ 62,784
Renewal and Replacement			
Office Equipment	8,500	11	881
Support Equipment	10,000	13,828	
Emergency Response Equipment	50,000	43,954	40,469
Capital Reserve Fund - Appropriated		1,855,008	632,287
	<u> </u>	<u> </u>	<u> </u>
Total Capital Outlay	<u>\$ 140,500</u>	<u>\$ 1,981,206</u>	<u>\$ 736,421</u>

Reconciliation of Change in Net Position

Result of Operations Excess/(Deficit) from Above	\$	1,943,154	\$	1,690,651
Adjustments to Budgetary Basis:				
Unrestricted Net Position Utilized				(148,715)
Non Budgeted Pension Exp		67,613		156,602
Previous Year Pension Account Payable		143,220		139,130
Net Change in OPEB Liability		20,844		43,916
Depreciation Expense		(902,464)		(858,307)
Accrued Bond Interest (net of Bond Sale Premium)		61,011		61,011
Unearned Profit on Sales - Leaseback		41,194		41,194
Compensated Absences (net)		(8,557)		(2,226)
Reserve for Encumbrances (net)		883,422		280,047
Capital Expenditures		961,481		157,476
Inventory (net)		6,856		4,785
Accrued Expenses (net)		6,936		1,700
Gain on Disposal of Assets		(6,090)		-
Renewal and Replacement Reserve		-		250,000
Other Reserves		-		350,000
Debt Service Principal		350,000		335,000
Disposal of Assets at Carried GAAP Value		-		-
Transfers from Designated Reserves		(1,855,009)		(632,288)
		<u> </u>		<u> </u>
Change in Net Position Exhibit B	\$	<u>1,713,611</u>	\$	<u>1,869,976</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES

Schedule 6

YEAR ENDED DECEMBER 31, 2022

	Balance Dec. 31, 2021	Increased by 2022 Service Fees	Decreased by Collected in 2022	Balance Dec. 31, 2022
Farmingdale Borough	\$ (266,307)	\$ 327,734	\$ 92,854	\$ (31,427)
Freehold Borough	(296,385)	2,664,542	2,718,398	(350,241)
Freehold Township	46,278	5,701,180	5,912,558	(165,100)
Howell Township	(623,669)	4,606,146	4,763,344	(780,867)
Wall Township	(14,793)	348,682	344,577	(10,688)
	<u>\$ (1,154,876)</u>	<u>\$ 13,648,284</u>	<u>\$ 13,831,731</u>	<u>\$ (1,338,323)</u>

ANALYSIS OF ACCOUNTS RECEIVABLE - INDUSTRIAL SURCHARGES

YEAR ENDED DECEMBER 31, 2022

Schedule 7

	Balance Dec. 31, 2021	Increased by 2022 Service Fees	Decreased by Collected in 2022	Balance Dec. 31, 2022
Freehold Township	\$ 12,244	\$ 49,521	\$ 46,835	\$ 14,930

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF SEWER REVENUE BONDS

Schedule 8

YEAR ENDED DECEMBER 31, 2022

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding December 31, 2022</u>	<u>Interest Rates</u>	<u>Balance Dec. 31, 2021</u>	<u>Paid</u>	<u>Balance Dec. 31, 2022</u>																				
Sewer Revenue Bonds (Series A)	2013	\$ 5,230,000	<table border="0"> <tr> <td align="center"><u>Year</u></td> <td align="center"><u>Amount</u></td> </tr> <tr> <td align="center">8/01/2023</td> <td align="right">370,000</td> </tr> <tr> <td align="center">8/01/2024</td> <td align="right">385,000</td> </tr> <tr> <td align="center">8/01/2025</td> <td align="right">405,000</td> </tr> <tr> <td align="center">8/01/2026</td> <td align="right">425,000</td> </tr> <tr> <td align="center">8/01/2027</td> <td align="right">450,000</td> </tr> <tr> <td align="center">8/01/2028</td> <td align="right">470,000</td> </tr> </table>	<u>Year</u>	<u>Amount</u>	8/01/2023	370,000	8/01/2024	385,000	8/01/2025	405,000	8/01/2026	425,000	8/01/2027	450,000	8/01/2028	470,000	5.00% 5.00% 5.00% 5.00% 5.00% 5.00%	<table border="0"> <tr> <td align="center"><u>Balance Dec. 31, 2021</u></td> <td align="right">2,855,000</td> </tr> </table>	<u>Balance Dec. 31, 2021</u>	2,855,000	<table border="0"> <tr> <td align="center"><u>Paid</u></td> <td align="right">350,000</td> </tr> </table>	<u>Paid</u>	350,000	<table border="0"> <tr> <td align="center"><u>Balance Dec. 31, 2022</u></td> <td align="right">2,505,000</td> </tr> </table>	<u>Balance Dec. 31, 2022</u>	2,505,000
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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, 2022. 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 \$44,000, except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$44,000 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:

Slide Gate Replacement at the Lower Manasquan Pump Station (Contract No. 66);
Meter Chamber 5MC-2 and 6MC-3 Rehabilitation (Contract No. 67);

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*.

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.

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$6,600 "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 20, 2021 and adopted its operating budget on December 15, 2021.

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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 19, 2023
Lakewood, New Jersey