

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)

Financial Statements and Supplementary Information

For the years ended December 31, 2021 and 2020

(With Independent Auditor's Report thereon)

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township Toms River, County of Ocean, State of New Jersey)
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For the years ended December 31, 2021 and 2020

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TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
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For the years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Chairman and Commissioners
of the Toms River Municipal Utilities Authority
County of Ocean
Toms River, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Toms River Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Toms River, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 Opinions

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 opinions.

Responsibilities of Management for the Financial Statements

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

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

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedule of expenditures state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are not a required part of the basic 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance are 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 September 21, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

September 21, 2022
Lakewood, New Jersey



TOMS RIVER MUNICIPAL UTILITIES AUTHORITY

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Philip I. Brilliant, Commissioner
Joseph G. Bilotta, Alternate Commissioner
Katarina Sevastakis, Alternate Commissioner
Bernard Rutkowski, Executive Director

September 21, 2022

Board of Commissioners of
Toms River Municipal Utilities Authority
County of Ocean
Toms River, New Jersey

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Toms River Municipal Utilities Authority's (hereafter referred to as the Authority) financial activities for the fiscal years ended December 31, 2021 and 2020 and as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

Financial Statements

The financial statements included in this report are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows for the years ended December 31, 2021 and 2020.

The Statements of Net Position show the financial position of the Authority at December 31st of each year. Assets are compared with liabilities and net position is the result.

The Statements of Revenues, Expenses and Change in Net Position measure performance for each year and how this performance impacts net position.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the two years.

Financial Analysis

The Authority, at December 31, 2021, had total assets and deferred outflows of resources of \$73,638,088 compared to \$68,894,668 and \$68,061,058 at December 31, 2020 and 2019, respectively. The changes from year to year are primarily due to the depreciation of capital assets and changes in the actuarial adjustments related to GASB Statement's No. 68 and 75.

The Authority, at December 31, 2021, had total liabilities and deferred inflows of resources of \$37,512,439 compared to \$35,674,121 and \$36,113,696 at December 31, 2020 and 2019, respectively. The changes from year to year are primarily due to the repayment of long-term debt and changes in the actuarial adjustments related to GASB Statement's No. 68 and 75.

The Authority, at December 31, 2021, had a total net position of \$36,125,649 compared to \$33,220,547 and \$31,947,362 at December 31, 2020 and 2019, respectively. The increase from year to year can be primarily attributed to the change in net position each year.

Condensed Financial Information

Key Authority Financial Information include the following balances:

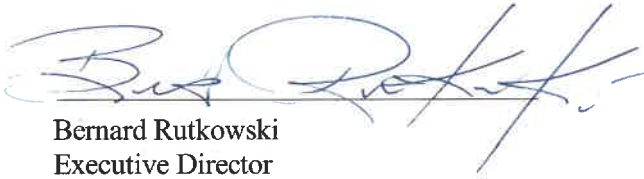
Financial Position:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current unrestricted assets	\$ 11,031,887	\$ 9,369,378	\$ 8,486,361
Current restricted assets	7,837,376	4,505,435	4,155,803
Capital assets, net	52,658,174	52,010,606	52,190,310
Total assets	71,527,437	65,885,419	64,832,474
Deferred outflows of resources	2,110,651	3,009,249	3,228,584
Total assets and deferred outflow of resources	<u>\$ 73,638,088</u>	<u>\$ 68,894,668</u>	<u>\$ 68,061,058</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current unrestricted liabilities	\$ 4,068,645	\$ 2,559,502	\$ 3,931,993
Current restricted liabilities	6,535,657	3,916,044	2,949,043
Long-term liabilities	23,026,017	26,032,245	26,257,644
Total liabilities	33,630,319	32,507,791	33,138,680
Deferred inflow of resources	3,882,120	3,166,330	2,975,016
Total liabilities and deferred inflow of resources	37,512,439	35,674,121	36,113,696
NET POSITION			
Investments in capital assets, net of related debt	42,534,004	43,462,453	44,500,387
Unrestricted net position	(6,408,355)	(10,241,906)	(12,553,025)
Total net position	36,125,649	33,220,547	31,947,362
Total liabilities, deferred inflows of resources and net position	<u>\$ 73,638,088</u>	<u>\$ 68,894,668</u>	<u>\$ 68,061,058</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total revenues	\$ 23,448,019	\$ 22,788,880	\$ 20,904,538
Total expenses	(20,542,917)	(21,515,695)	(23,651,469)
Net income (loss)	<u>\$ 2,905,102</u>	<u>\$ 1,273,185</u>	<u>\$ (2,746,931)</u>
Capital spending	\$ 3,642,309	\$ 2,891,420	\$ 2,302,479
Capital contributions	-	127,774	117,977
Connection fees	821,716	897,197	752,128
Bonds paid down	671,533	660,432	636,503
Bonds payable, net	6,407,866	7,100,104	7,168,279

Authority revenues were \$558,928 over budgeted for 2021 and \$380,412 over budgeted for 2020. For 2021 and 2020, this was primarily due to sewer revenues and connection fees being favorable compared to budget.

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 340 West Water Street, Toms River, New Jersey during the Authority's business hours.

Respectfully Submitted



Bernard Rutkowski
Executive Director



Rosemary Rosett
CFO

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2021 and 2020

ASSETS	2021	2020
Current unrestricted assets:		
Cash (Note 2)	\$ 8,959,651	\$ 6,711,331
Accounts receivable (Note 4)	1,737,920	1,927,470
Inventory	295,283	267,257
Due from OCUA (Note 5)	32,106	438,232
Prepaid expenses	6,927	25,088
Total current unrestricted assets	<u>11,031,887</u>	<u>9,369,378</u>
Current restricted assets:		
Restricted cash and investments:		
Capital reserve:		
Cash (Note 2)	379,800	377,000
Rate stabilization:		
Cash (Note 2)	1,199,228	985,410
Investments (Note 3)	336,046	557,569
Interest receivable	236	380
System renovation:		
Cash (Note 2)	3,603,244	500,731
Investments (Note 3)	15,599	118,737
Interest receivable	16	94
Other restricted funds:		
Cash (Note 2)	1,255,528	1,215,514
Operating:		
Cash (Note 2)	750,000	750,000
Due from NJ Infrastructure Bank	297,679	-
Total current restricted assets	<u>7,837,376</u>	<u>4,505,435</u>
Capital assets (Note 6)	147,254,312	143,612,003
Less: accumulated depreciation (Note 6)	<u>(94,596,138)</u>	<u>(91,601,397)</u>
Capital assets, net	<u>52,658,174</u>	<u>52,010,606</u>
Total assets	<u>71,527,437</u>	<u>65,885,419</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 9)	422,600	1,135,517
Deferred outflows related to OPEB (Note 8)	1,631,562	1,810,181
Deferred outflows related to loss on bond refunding net of accumulated amortization (Note 7)	<u>56,489</u>	<u>63,551</u>
Total deferred outflow of resources	<u>2,110,651</u>	<u>3,009,249</u>
Total assets and deferred outflow of resources	<u><u>\$ 73,638,088</u></u>	<u><u>\$ 68,894,668</u></u>

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Net Position (continued)
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES		
Current unrestricted liabilities:		
Accounts payable	\$ 376,049	\$ 208,708
Accrued expenses (Note 7)	165,918	142,055
Deposits on connection fees	4,295	4,295
Unearned revenue (Note 7)	3,522,383	2,204,444
Total current unrestricted liabilities	<u>4,068,645</u>	<u>2,559,502</u>
Current restricted liabilities:		
Current portion of bonds payable - NJIB (Note 7)	693,240	692,240
Construction loan payable - NJIB (Note 7)	4,070,472	1,511,600
Accrued interest payable	30,073	32,318
Escrow performance bonds (Note 10)	1,151,387	1,111,210
Unemployment trust fund	88,256	88,417
Pension payable (Note 9)	502,229	480,259
Total current restricted liabilities	<u>6,535,657</u>	<u>3,916,044</u>
Long-term liabilities:		
Long-term portion of bonds payable - NJIB (Note 7)	5,714,626	6,407,864
Reserve for compensated absences (Note 7)	260,357	236,058
Net other postemployment benefits liability (Note 8)	11,970,705	12,229,155
Net pension liability (Note 9)	5,080,329	7,159,168
Total long-term liabilities	<u>23,026,017</u>	<u>26,032,245</u>
Total liabilities	<u>33,630,319</u>	<u>32,507,791</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 9)	3,470,744	3,166,330
Deferred inflows related to OPEB (Note 8)	411,376	-
Total deferred inflow of resources	<u>3,882,120</u>	<u>3,166,330</u>
NET POSITION		
Net investment in capital assets	42,534,004	43,462,453
Unrestricted net position (Note 13)	<u>(6,408,355)</u>	<u>(10,241,906)</u>
Total net position	<u>36,125,649</u>	<u>33,220,547</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 73,638,088</u>	<u>\$ 68,894,668</u>

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Sewerage charges	\$ 21,958,279	\$ 20,895,072
Connection fees	821,716	897,197
Engineering and inspection fees	39,624	30,551
Delinquent charges	361,372	376,695
Miscellaneous	207,532	306,315
Total operating revenues	<u>23,388,523</u>	<u>22,505,830</u>
Operating expenses:		
Administrative expenses	1,420,210	1,858,915
Maintenance and treatment	15,080,795	15,510,073
Depreciation	2,994,741	3,071,123
Total operating expenses	<u>19,495,746</u>	<u>20,440,111</u>
Net income/(loss) from operations	<u>3,892,777</u>	<u>2,065,719</u>
Non-operating revenues/(expenses):		
Investment income	22,695	76,792
Realized gain on sale of investments	3,416	5,296
Unrealized gain/(loss) on investments	(13,209)	13,001
Interest expense	(88,157)	(91,240)
Transfer to the Township of Toms River (Note 11)	(959,014)	(984,344)
Gain on disposal of fixed assets	32,950	46,541
Capital contributions	-	127,774
Amortization of bond premium	13,644	13,646
Total non-operating revenues/(expenses)	<u>(987,675)</u>	<u>(792,534)</u>
Change in net position	2,905,102	1,273,185
Net position, January 1	<u>33,220,547</u>	<u>31,947,362</u>
Net position, December 31	<u><u>\$ 36,125,649</u></u>	<u><u>\$ 33,220,547</u></u>

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)

Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from service users	\$ 25,027,376	\$ 21,106,246
Cash paid to suppliers and employees	(17,924,603)	(18,168,416)
Amount paid for interest	(88,157)	(91,240)
Net cash flows from operating activities	<u>7,014,616</u>	<u>2,846,590</u>
 Cash flows from investing activities:		
Proceeds from sale of investments	314,868	532,669
Acquisition and construction of capital assets	(3,642,309)	(2,891,419)
Proceeds from sale of capital assets	32,950	46,541
Net cash flows from investing activities	<u>(3,294,491)</u>	<u>(2,312,209)</u>
 Cash flows from financing activities:		
Principal repayment on long-term debt	(671,532)	(639,724)
Debt issuance costs	-	(19,670)
Issuance of debt	2,558,872	1,463,356
Net cash flows from investing activities	<u>1,887,340</u>	<u>803,962</u>
 Change in cash	5,607,465	1,338,343
 Unrestricted and restricted cash, January 1	<u>10,539,986</u>	<u>9,201,643</u>
 Unrestricted and restricted cash, December 31	<u><u>\$ 16,147,451</u></u>	<u><u>\$ 10,539,986</u></u>
 Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 8,959,651	\$ 6,711,331
Current restricted assets:		
Capital reserve cash	379,800	377,000
Rate stabilization cash	1,199,228	985,410
System renovation cash	3,603,244	500,731
Other restricted cash	<u>2,005,528</u>	<u>1,965,514</u>
 Unrestricted and restricted cash, December 31	<u><u>\$ 16,147,451</u></u>	<u><u>\$ 10,539,986</u></u>

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Cash Flows (continued)
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of net loss to cash flows		
from operating activities:		
Net loss from operations	\$ 2,905,102	\$ 1,273,185
Items which did not use cash:		
Depreciation and amortization	2,994,741	3,071,123
Amortization of debt issuance costs	(13,644)	25,693
Gain on sale of capital assets	(32,950)	(46,541)
Unbudgeted pension expense (credit)	(1,061,508)	(44,265)
Unbudgeted other postemployment benefit expense	331,545	321,425
Unrealized loss on investments	13,209	(13,001)
Realized gain on investments	(3,416)	(5,296)
Working capital changes which provided (used) cash:		
Accounts receivable	298,219	(375,208)
Inventory	(28,026)	(37,133)
Prepaid expenses	18,161	3,663
Accounts payable	207,357	(310,928)
Accrued expenses	21,618	21,276
Unearned revenues	1,317,939	(1,101,168)
Pension payable	21,970	43,824
Reserve for compensated absences	24,299	19,941
	<u> </u>	<u> </u>
Net cash flows from operating activities	<u>\$ 7,014,616</u>	<u>\$ 2,846,590</u>

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Toms River Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Toms River, County of Ocean, State of New Jersey, have been prepared to conform with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Creation of Authority

Dover Municipal Utilities Authority, originally named the Dover Sewerage Authority, was created under the Municipal Utilities Law constituting Chapter 143 of the Laws of the State of New Jersey of 1957 (Chapter 14-8, Title 40 of the revised statutes of the State of New Jersey) and was created by an ordinance of the Dover Township Committee on April 26, 1949.

On November 28, 2007, the Authority changed its name to "Toms River Municipal Utilities Authority". The name change was done in conjunction with Dover Township, which had changed its name to the "Township of Toms River".

The Authority provides wastewater collection services to the residents within the territorial limits of Toms River Municipal Utilities Authority's sanitary sewer collection system.

Component Unit

The Authority is considered to be a "Component Unit" of the Township of Toms River under GAAP however, the Township of Toms River does not follow GAAP for accounting and financial reporting purposes rather it follows a regulatory basis of accounting, utilizing accounting principles which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Township's financial statements of potential component units, based on the separate legal status of these units. Accordingly, the financial statements of the Township do not include the Authority as a component unit.

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with GAAP applicable to enterprise funds of State and Local Governments on a going concern basis.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing 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, accountability or other purposes.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2*. *N.J.A.C. 5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and may include petty cash and change funds. It may also include all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows.

New Jersey Authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds into a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required by *N.J.S.A. 17:9-41* to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Investments are carried at lower of cost or market plus accrued interest shown separately and consists of interest-bearing bank deposits, certificates of deposit and U.S. Government Securities.

Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III).

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Inventory

Inventory consists principally of parts and supplies utilized in maintaining the system and gasoline storage and is stated at lower of cost (determined on a first in, first out basis) or market.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority's fiscal year end.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developer's are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Depreciation is determined on a straight-line basis for all capital assets. Depreciation was provided over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10 – 40
Collection systems	40
Equipment	3 – 10
Furniture and fixtures	5 – 7
GIS deployed	5 – 25

Deferred Outflows and Deferred 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.

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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated sick leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated sick leave in the event of retirement or termination from service at the current salary.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Bond Premium

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to bonds payable.

Pension & Other Post-employment Benefits (OPEB) Section

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the Public Employees' Retirement System (PERS), OPEB and additions to/deductions from the PERS's and OPEB's fiduciary net position have been

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension & Other Post-employment Benefits (OPEB) Section (continued)

determined on the same basis as they are reported by the plan. For these purposes, 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.

Net Position

In accordance with the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or “net investment in capital assets”.

Income Taxes

The Authority operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Non-operating revenues primarily consist of interest income and on investments of securities. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. Non-operating expenses primarily include expenses attributable to the Authority’s interest on debt, contribution to Township and sales of capital assets.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amount.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, Statement No. 87 is now effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2021 through September 21, 2022, which is the date the financial statements were available to be issued.

NOTE 2: CASH

This Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2021 and 2020, reported at fair value, are as follows:

	<u>2021</u>	<u>2020</u>
Deposits:		
Demand deposits	<u>\$16,147,451</u>	<u>\$10,539,986</u>
Total deposits	<u>\$16,147,451</u>	<u>\$10,539,986</u>
 Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 8,959,651	\$ 6,711,331
Current restricted assets:		
Capital reserve cash	379,800	377,000
Rate stabilization cash	1,199,228	985,410
System renovation cash	3,603,244	500,731
Operating	750,000	750,000
Other restricted cash	<u>1,255,528</u>	<u>1,215,514</u>
Total current unrestricted and restricted cash	<u>\$16,147,451</u>	<u>\$10,539,986</u>

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 2: CASH (continued)

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, *N.J.S.A. 17:9-41* et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUPDA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2021 and 2020, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2021</u>	<u>2020</u>
Insured by FDIC	\$ 750,000	\$ 750,000
Collateralized in the Authority's name under GUDPA	<u>15,444,382</u>	<u>9,889,809</u>
Total	<u>\$ 16,194,382</u>	<u>\$ 10,639,809</u>

The Board approved and adopted the Cash Management and Investment Policy on March 24, 2021 establishes the following restricted cash and investment accounts:

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
System renovation	Amount designated by Board.	To pay for infrastructure repairs for the collection system.
Rate stabilization	Amount designated by Board.	To maintain stable sewer rates for customers.

In addition to the above, the Authority has restricted accounts pertaining to performance on contracts, unemployment trust funds, construction funds, and capital reserves.

NOTE 3: INVESTMENTS

Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 3: INVESTMENTS (continued)

Investment Interest Rate Risk

investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2021 and 2020, are provided in the schedule below.

Investment Credit Risk

The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

As of December 31, 2021 and 2020, the Authority had the following investments and maturities:

	Investments at Fair Value as of December 31, 2021			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Fixed income securities:				
US government agency obligations	\$ 380,283	\$ -	\$ -	\$ 380,283
Total investments at fair value	<u>\$ 380,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,283</u>
	Investments at Fair Value as of December 31, 2020			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Fixed income securities:				
US government agency obligations	\$ 676,306	\$ -	\$ -	\$ 676,306
Total investments at fair value	<u>\$ 676,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,306</u>

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable balances as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Accounts receivable – customers	\$ 1,600,540	\$ 1,802,260
Other receivables	39,348	31,940
Other municipalities	<u>98,032</u>	<u>93,270</u>
Total	<u><u>\$ 1,737,920</u></u>	<u><u>\$ 1,927,470</u></u>

NOTE 5: OCUA CREDIT/(DEFICIENCY)

The Authority makes quarterly estimated payments to the Ocean County Utilities Authority (“OCUA”) for the amount of sewerage that is discharged. At the end of the year, the OCUA is required to provide the Authority with a “Deficiency Notification” in accordance with Articles V and IX of the Service Agreement. The credit or (deficiency) is computed by taking the actual flows for the year and comparing this number to the estimated flows. The Authority had a credit of \$32,106 and \$438,232 for the year ended December 31, 2021 and 2020, respectively.

NOTE 6: CAPITAL ASSETS

The activity in capital assets for the years ended December 31, 2021 and 2020 are as followed:

	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance December 31, 2021</u>
Capital assets not being depreciated				
Land	\$ 1,779,650	\$ -	\$ -	\$ 1,779,650
Construction in progress	129,024	19,450	-	148,474
NJIB work in progress	<u>2,510,909</u>	<u>2,575,852</u>	-	<u>5,086,761</u>
Total capital assets not being depreciated	<u>4,419,583</u>	<u>2,595,302</u>	-	<u>7,014,885</u>
Capital assets being depreciated:				
Buildings and improvements	4,124,024	21,502	-	4,145,526
Collection system	127,674,767	795,742	-	128,470,509
Equipment	6,188,749	155,801	-	6,344,550
Furniture and fixtures	909,387	73,962	-	983,349
GIS deployed	<u>295,493</u>	-	-	<u>295,493</u>
Total capital assets being depreciated	<u>139,192,420</u>	<u>1,047,007</u>	-	<u>140,239,427</u>
Less: accumulated depreciation	<u>(91,601,397)</u>	<u>(2,994,741)</u>	-	<u>(94,596,138)</u>
Total capital assets, being depreciated, net	<u>47,591,023</u>	<u>(1,947,734)</u>	-	<u>45,643,289</u>
Total capital assets, net	<u><u>\$ 52,010,606</u></u>	<u><u>\$ 647,568</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 52,658,174</u></u>

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 6: CAPITAL ASSETS (continued)

	Balance December 31, <u>2019</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance December 31, <u>2020</u>
Capital assets not being depreciated				
Land	\$ 1,779,650	\$ -	\$ -	\$ 1,779,650
Construction in progress	49,873	79,151	-	129,024
NJIB work in progress	<u>560,637</u>	<u>1,950,271</u>	-	<u>2,510,909</u>
Total capital assets not being depreciated	<u>2,390,160</u>	<u>2,029,422</u>	-	<u>4,419,583</u>
Capital assets being depreciated				
Buildings and improvements	4,121,868	2,156	-	4,124,024
Collection system	126,817,054	857,713	-	127,674,767
Equipment	6,736,287	-	(547,538)	6,188,749
Furniture and fixtures	907,260	2,127	-	909,387
GIS deployed	<u>295,493</u>	-	-	<u>295,493</u>
Total capital assets being depreciated	<u>138,877,962</u>	<u>861,996</u>	<u>(547,538)</u>	<u>139,192,420</u>
Less: accumulated depreciation	<u>(89,077,812)</u>	<u>(3,071,123)</u>	<u>547,538</u>	<u>(91,601,397)</u>
Total capital assets, being depreciated, net	<u>49,800,150</u>	<u>(2,209,127)</u>	-	<u>47,591,023</u>
Total capital assets, net	<u>\$ 52,190,310</u>	<u>\$ (179,705)</u>	<u>\$ -</u>	<u>\$ 52,010,606</u>

NOTE 7: LIABILITIES

Accrued Expenses

Accrued expenses as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Payroll	\$ 129,527	\$ 107,301
Payroll taxes	9,641	8,004
Professional fees	<u>26,750</u>	<u>26,750</u>
Total accrued expenses	<u>\$ 165,918</u>	<u>\$ 142,055</u>

Unearned Revenue

The Authority's customers are billed in December for the following quarter beginning January 1st. Appropriately, customer payments received in December for the following quarter are included in the Authority's current unrestricted liabilities and not recognized as revenue until the following year. As of December 31, 2021 and 2020, unearned revenue totaled \$3,522,383 and \$2,204,444, respectively.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: LIABILITIES (continued)

Long-term Obligations

During the years ended December 31, 2021 and 2020, the following changes occurred in long-term obligations:

	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Reduction/ Adjustments</u>	<u>Balance 12/31/21</u>	<u>Balance Due Within One Year</u>
Bonds payable	\$ 6,888,943	\$ -	\$ 671,533	\$ 6,217,410	\$ 672,533
Unamortized loan premium	<u>211,161</u>	<u>-</u>	<u>20,705</u>	<u>190,456</u>	<u>20,707</u>
Bonds payable, net	<u>7,100,104</u>	<u>-</u>	<u>692,238</u>	<u>6,407,866</u>	<u>693,240</u>
Construction loan payable	1,511,600	2,558,872	-	4,070,472	4,070,472
Net other postemployment benefits liability	12,229,155	-	258,450	11,970,705	-
Reserve for compensated absences	236,058	24,299	-	260,357	-
Net pension liability	<u>7,159,168</u>	<u>-</u>	<u>2,078,839</u>	<u>5,080,329</u>	<u>-</u>
Total	<u>\$28,236,085</u>	<u>\$2,583,171</u>	<u>\$ 3,029,527</u>	<u>\$27,789,729</u>	<u>\$4,763,712</u>

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Reduction/ Adjustments</u>	<u>Balance 12/31/20</u>	<u>Balance Due Within One Year</u>
Bonds payable	\$6,956,081	\$ 572,587	\$ 639,725	\$ 6,888,943	\$ 671,533
Unamortized loan premium	<u>212,198</u>	<u>19,670</u>	<u>20,707</u>	<u>211,161</u>	<u>20,707</u>
Bonds payable, net	<u>7,168,279</u>	<u>592,257</u>	<u>660,432</u>	<u>7,100,104</u>	<u>692,240</u>
Construction loan payable	620,831	890,769	-	1,511,600	1,511,600
Net other postemployment benefits liability	11,462,033	767,122	-	12,229,155	-
Reserve for compensated absences	216,117	19,941	-	236,058	-
Net pension liability	<u>8,052,718</u>	<u>-</u>	<u>893,550</u>	<u>7,159,168</u>	<u>-</u>
Total	<u>\$27,519,978</u>	<u>\$2,270,089</u>	<u>\$ 1,553,982</u>	<u>\$28,236,085</u>	<u>\$2,203,840</u>

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: LIABILITIES (continued)

New Jersey Infrastructure Bank Series 2010A, 2014A, 2017A-R2 and 2020A-1 Loans Payable

Loans payable at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
2010A NJIB Fund Loans, bearing no interest, maturity dates February 1 from 2011 to 2029.	\$ 3,092,516	\$ 3,491,989
2014A NJIB Fund Loans, bearing no interest, maturity dates August 1 from 2014 to 2033.	629,351	685,985
2014A NJIB Trust Loans, bearing interest ranging from 3.00% to 5.00% per annum; maturity dates each August 1 from 2014 to 2033. Interest payable on February 1 and August 1 each year to maturity.	765,000	815,000
2017A-R2 NJIB Trust Loan Refunding, bearing interest ranging from 3.00% to 5.00% per annum; maturity dates each March 1 from 2017 to 2029. Interest payable on March 1 and September 1 each year to maturity.	1,212,000	1,341,000
2020A-1 NJIB Fund Loans, bearing no interest, maturity dates August 1 from 2020 to 2034.	343,543	369,969
2020A-1 NJIB Trust Loan Refunding, bearing interest ranging from 2.375% to 5.00% per annum; maturity dates each February 1 from 2020 to 2034. Interest payable on February 1 and August 1 each year to maturity.	<u>175,000</u>	<u>185,000</u>
Total loans	6,217,410	6,888,943
Less: current portion, including current portion of unamortized bond premium	<u>(693,240)</u>	<u>(692,240)</u>
Subtotal	5,524,170	6,196,703
Add: total unamortized bond premium	<u>190,456</u>	<u>211,161</u>
Total	<u><u>\$ 5,714,626</u></u>	<u><u>\$ 6,407,864</u></u>

On March 10, 2010, the Authority borrowed \$10,105,000 in Series 2010A Revenue Bonds through the New Jersey Infrastructure Bank. The "Fund" (Federal Funds) portion of the Bond Issue, \$7,590,000, was issued with no interest rate. The remaining Bonds mature semi-annually from February 1, 2011 through August 1, 2029 at maturities ranging from \$133,158 to \$266,316. As of December 31, 2021 and 2020, the remaining balances were \$3,092,516 and \$3,491,989, respectively.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: LIABILITIES (continued)

New Jersey Infrastructure Bank Series 2010A, 2014A, 2017A-R2 and 2020A-1 Loans Payable (continued)

On May 22, 2014, the Authority borrowed \$4,307,242 in Series 2014A Revenue Bonds through the New Jersey Infrastructure Bank. The original “Fund” (Federal Funds) portion of the Bond Issue, \$3,242,242 with a principal forgiveness portion of \$2,161,494, leaving an adjusted “Fund” portion of the Bond Issue of \$1,080,748 issued with no interest rate. As of December 31, 2021, and 2020, the remaining balances were \$629,351 and \$685,985, respectively. Of the amount that was recognized as NJIB principal forgiveness, \$1,214,007 was recognized as revenue in 2014, \$837,555 was recognized as revenue in 2015. On April 5, 2016, the Authority received a certified letter from the State of New Jersey Department of Environmental Protection in connection with the Authority’s New Jersey Environmental Infrastructure Financing Program Project No. S340145-03/04. In the letter, the Authority was notified that the remaining \$164,897 “Fund” portion of the loan, of which \$109,932 was principal forgiveness, would be de-obligated. The remaining Bonds mature semi-annually from August 1, 2014 through August 1, 2033 at maturities ranging from \$6,388 to \$37,755. As of December 31, 2021 and 2020, this bond issuance premium had a balance of \$51,573 and \$55,740, respectively.

The “Loan” (State Funds) portion of the Series 2014A Bond Issue, \$1,065,000, the remaining bonds mature annually from August 1, 2014 through 2033 at annual maturities ranging from \$40,000 to \$75,000 and bear interest at rates ranging from 3.00% to 5.00%. As of December 31, 2021 and 2020, the remaining balances were \$765,000 and \$815,000, respectively.

On January 31, 2017, the Authority issued Series 2017A-R2 NJIB Refunding Bonds in the amount of \$1,578,000. The proceeds of this issuance were utilized to refund the 2010A Revenue Bonds NJIB trust loan outstanding. The bonds mature annually from September 1, 2019 through 2029 at annual maturities ranging from \$116,000 to \$173,000 and bear interest rates at 4.00%. As of December 31, 2021 and 2020, the remaining balances were \$1,212,000 and \$1,341,000, respectively. The 2017A-R2 Refunding Bonds issuance resulted in a net loss on refunding of \$91,795 and a bond premium of \$197,980. The \$91,795 loss on refunding is recognized as a deferred outflow of resources and will be amortized over the life of the loan. As of December 31, 2021 and 2020, the net balance of the deferred outflow related to the loss on bond refunding were \$56,489 and \$63,551, respectively. A premium of \$197,980 is associated with this bond issuance and is included in the bonds payable balance on the statements of net position. This premium will be amortized over the life of the bonds. As of December 31, 2021 and 2020, the outstanding premium balances were \$121,835 and \$137,064 respectively.

On June 3, 2020, the Authority issued Series 2020 A-1 NJIB Refunding Bonds in the amount of \$572,587. The bonds mature annually from February 1, 2020 through 2034 at annual maturities ranging from \$36,426 to \$41,426 and bear interest rates at from 2.375% to 5.00%. As of December 31, 2021 and 2020, the remaining balances were \$518,543 and \$554,969, respectively. A premium of \$19,670 is associated with this bond issuance and is included in the bonds payable balance on the statements of net position. This premium will be amortized over the life of the bonds. As of December 31, 2021 and 2020, the outstanding premium balances were \$17,048 and \$18,359 respectively.

At December 31, 2021, the debt service requirements on the NJIB Loans until maturity are as follows:

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: LIABILITIES (continued)

New Jersey Infrastructure Bank Series 2010A, 2014A, 2017A-R2 and 2020A-1 Loans Payable (continued)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 672,533	\$ 82,274	\$ 754,807
2023	682,533	74,074	756,607
2024	691,533	65,424	756,957
2025	701,533	56,414	757,947
2026	711,533	48,154	759,687
2027 - 2031	2,420,445	110,629	2,531,074
2032 - 2034	<u>337,300</u>	<u>9,281</u>	<u>346,581</u>
Total	<u>\$ 6,217,410</u>	<u>\$ 446,250</u>	<u>\$ 6,663,660</u>

Compensated Absences

For the years ended December 31, 2021 and 2020 the Authority accrued compensated absences in the amount of \$260,357 and \$236,058, respectively.

Other Postemployment Benefits Liability

For details on the other postemployment benefits liability, see Note 8: *Postemployment Benefits Other Than Pensions*. The Authority's contribution into the postemployment benefits plan is budgeted and paid on an annual basis.

Net Pension Liability

For details on the net pension liability, see Note 9: *Pension Obligations*. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Construction Loans Payable

In order to finance the rehabilitation construction, the Authority has been drawing down on a construction loan granted by NJIB in 2019 to be utilized as work progresses through the completion of such construction. As of December 31, 2021, and 2020, the amount borrowed and outstanding under such loan was \$3,718,093 and \$1,511,600, respectively and is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

In order to finance the rehabilitation construction, the Authority has been drawing down on a construction loan granted by NJIB in 2021 to be utilized as work progresses through the completion of such construction. As of December 31, 2021, and 2020, the amount borrowed and outstanding under such loan was \$352,379 and \$0, respectively and is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

For the year ended December 31, 2021, the Authority is recognizing its post-employment benefits based upon the implementation requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*.

Plan Description – The Authority participates in one single-employer postemployment plan for medical benefits and prescription drugs. The Authority has the authority for establishing and amending this plan. This plan has no assets that are accumulated in a trust and the plan does not have a separate report. Employees are eligible for these benefits provided they have:

- Retired on a disability pension;
- Retired after 25 years or more service credit in a state or locally administered retirement system with service of five (5) years' service to the Authority

The Authority also provides full coverage towards the cost of health benefits for the spouses and/or dependents of eligible retired employees for employees hired prior to December 31, 2013. The Authority provides full coverage towards the cost of health benefits for spouses only of eligible retired employees hired after December 31, 2013.

Funding Policy – The Authority finances this program on a pay-as-you-go basis. The Authority has the authority for establishing and amending the funding policy. For the year ended December 31, 2021 the Authority funded \$274,972 to the plan.

Employees Covered by Benefits Terms – As of December 31, 2021, there were 40 participants currently receiving retiree benefits, and 36 active participants of whom 5 are eligible to retire as of the valuation date.

Total OPEB Liability – The Authority's total OPEB liability of \$11,970,705 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Mortality	RP 2000 Combined Healthy Male Mortality Rates Set Forward One Year and Adjusted for Generational Improvement
Turnover	NJ State Pensions Ultimate Withdrawal Rates- prior to Benefits Eligibility
Assumed Retirement Age	At first eligibility in conformance with SHBP retirement requirements
Full Attribution Period	Service to Assumed Retirement Age
Annual Discount Rate	2.12% Based on Bond Buyer 20 Index at December 31, 2020 2.06% Based on Bond Buyer 20 Index at December 31, 2021
CPI Increase	2.50%
Rate of Salary Increase	2.50%

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Actuarial Assumptions and Other Inputs (continued)

Medical Trend	Medical: 5.5% in 2021, reducing 0.2% per annum, leveling at 4.5% per annum in 2026; Drug: 7.0% in 2021, reducing 0.5% per annum, leveling at 4.5% per annum in 2026 Medicare Advantage: 4.5% per annum Dental and Vision: 3.5% per annum
Medical Cost Aging Factor	NJ SHBP Medical Morbidity Rates

Changes in the Total OPEB Liability

The following table shows the Changes in the OPEB Liability as follows:

	Total OPEB Liability
Total OPEB Liability December 31, 2020	\$ 12,229,155
Changes in Total OPEB Liability	
Service Costs	202,768
Interest	260,642
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in Assumptions	(446,888)
Benefit Payments	(274,972)
Net Changes in Total OPEB Liability	(258,450)
Total OPEB Liability December 31, 2021	<u>\$ 11,970,705</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-point higher (3.06 percent) than that of the current discount rate:

	1 % Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB Liability	<u>\$ 13,202,495</u>	<u>\$ 11,970,705</u>	<u>\$ 10,947,810</u>

Sensitivity of the Total OPEB Liability to Changes in the Medical Inflation 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 medical trend rate that is 1- percentage-point lower or 1-percentage-point higher than that of the medical inflation trend rate:

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Sensitivity of the Total OPEB Liability to Changes in the Medical Inflation (continued)

	<u>1 % Decrease</u>	<u>Medical Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 11,107,837	\$ 11,970,705	\$ 13,011,208

OPEB Expense – For the year ended December 31, 2021, the Authority had a total OPEB expense of \$606,517 based on the discount rate of 2.06%.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 1,631,562	\$ 411,376
	<u>\$ 1,631,562</u>	<u>\$ 411,376</u>

NOTE 9: PENSION OBLIGATIONS

Public Employees' Retirement System

Plan Description

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

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Plan Description (continued)

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 and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (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.

Contributions

The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 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, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2021, the Authority's contractually required contribution to PERS plan was \$520,229.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Components of Net Pension Liability

At December 31, 2021, the Authority's proportionate share of the PERS net pension liability was \$5,080,329. The net pension liability was measured as of June 30, 2021. 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 July 1, 2020, which was rolled forward to June 30, 2021. 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, 2021. The Authority's proportion measured as of June 30, 2021, was 0.0428846420% which was a decrease of 0.0010167421% from its proportion measured as of June 30, 2020.

Balances at December 31, 2021 and December 31, 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
Actuarial valuation date (including roll forward)	June 30, 2021	June 30, 2020
Deferred Outflows of Resources	\$ 422,600	\$ 1,135,517
Deferred Inflows of Resources	3,470,744	3,166,330
Net Pension Liability	5,080,329	7,159,168
Authority's portion of the plan's total Net Pension Liability	0.04288%	0.04390%

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

At December 31, 2021, the Authority's proportionate share of the PERS (benefit) expense, calculated by the plan as of the June 30, 2021 measurement date is \$(550,403). At December 31, 2021, 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	\$ 80,123	\$ 36,369
Changes of Assumptions	26,458	1, 808,630
Net difference between projected and actual earnings on pension plan investments	-	1,338,292
Changes in proportion and differences between the Authority's contributions and proportion share of contributions	<u>316,019</u>	<u>287,453</u>
	<u>\$ 422,600</u>	<u>\$ 3,470,744</u>

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	5.13	-
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	-	5.13
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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

Changes in proportion and differences between
The Authority's contributions and
proportionate share of contributions

Year of Pension Plan Deferral:

June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2021	\$ (1,092,344)
2022	(781,145)
2023	(633,701)
2024	(462,413)
2025	<u>(78,541)</u>
Total	<u>\$ (3,048,144)</u>

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:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% - 6.00% Based on Age
Thereafter	3.00% - 7.00% Based on Age

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Actuarial Assumptions (continued)

Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010 General Below – Median Income Employee Mortality table fully generational mortality improvement projections from the central year using Scale MP- 2021
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

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

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2021) 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, 2021 are summarized in the following table:

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Credit	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability 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:

	1 % Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the Net Pension Liability	<u>\$ 6,992,127</u>	<u>\$ 5,080,329</u>	<u>\$ 3,558,012</u>

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: ESCROW PERFORMANCE BONDS

Advance payments and deposits required as a condition for the Authority to commence engineering reviews and inspections on new development, and cash in lieu of bonds required by the Authority. Monies held for reviews and inspections, become earned revenues of the Authority as the services are performed, and amounts remaining at project completion, including a portion of interest earnings, are returned to the developer. Cash held in lieu of bonds is refunded in the same manner, and following the same procedures, as those for the release of bonds required by the Authority. For the years ended December 31, 2021 and 2020 the Authority had escrow performance bonds in the amount of \$1,151,387 and \$1,111,210, respectively.

NOTE 11: SERVICE ORGANIZATION'S SOC 2 REQUIREMENT

The Authority utilizes Suez to provide consumption data of the Authority's customers' water usage. This data is used to bill the customers of the Authority, as sewer charges for commercial customers are based on the amount of water consumed. Service Organization Control ("SOC") 2 requires the Authority to receive an internal control report from service organizations providing such services mentioned above.

The Authority has requested an internal control report from Suez, but they have not provided the Authority with the report.

NOTE 12: TRANSFER TO THE TOWNSHIP OF TOMS RIVER

For the years ended December 31, 2021 and 2020, the Authority transferred \$959,014 and \$984,344, respectively from the Authority's reserves to the Township of Toms River, County of Ocean, State of New Jersey pursuant to N.J.S.A. 40A:4-35.1. This has been recorded in the statements of revenues, expenses and changes in net position as transfer to the Township of Toms River.

NOTE 13: DEFICIT UNRESTRICTED NET POSITION

The Authority had a deficit in unrestricted net position in the amount of (\$6,408,335) and (\$10,241,906) at December 31, 2021 and 2020, respectively. The primary cause of this deficit is due to the recording of the net pension liability and other net postemployment benefit liability, as required by generally accepted accounting principles. If this was not required, the unrestricted net position before the net pension liability and net other postemployment benefit liability and deferred outflows and inflows related to these liabilities would be \$12,470,637 and \$9,367,049 as of December 31, 2021 and 2020, respectively. This deficit in unrestricted net position does not indicate that the Authority is facing financial difficulties.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Nine Fiscal Years *

	Measurement Date Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Authority's proportion of the net pension liability/(asset)	0.04288%	0.04390%	0.04469%	0.04202%	0.04111%	0.04111%	0.03818%	0.03572%	0.03704%	
Authority's proportionate share of the net pension liability/(asset)	\$ 5,080,329	\$ 7,159,168	\$ 8,052,718	\$ 8,273,583	\$ 9,570,145	\$ 12,175,591	\$ 8,570,368	\$ 6,688,090	\$ 7,079,718	
Authority's covered employee payroll	\$ 3,106,052	\$ 3,148,014	\$ 3,124,824	\$ 2,982,021	\$ 2,812,629	\$ 2,809,779	\$ 2,692,076	\$ 2,493,829	\$ 2,316,922	
Authority's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	163.56%	227.42%	257.70%	277.45%	340.26%	433.33%	318.36%	283.89%	283.89%	
Plan fiduciary net position as a percentage of the total pension liability	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of Authority Contributions
Public Employees' Retirement System
Last Nine Fiscal Years *

	Year Ended December 31,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 502,229	\$ 480,259	\$ 434,716	\$ 417,966	\$ 380,856	\$ 365,215	\$ 328,235	\$ 294,485	\$ 279,114
Contributions in relation to the contractually required contribution	(502,229)	(480,259)	(434,716)	(417,966)	(380,856)	(365,215)	(328,235)	(294,485)	(279,114)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered employee payroll	\$ 2,986,449	\$ 3,106,052	\$ 3,148,014	\$ 3,124,824	\$ 2,982,021	\$ 2,812,629	\$ 2,809,779	\$ 2,692,076	\$ 2,493,829
Contributions as a percentage of covered employee payroll	16.82%	15.46%	13.81%	13.38%	12.77%	12.98%	11.68%	10.94%	11.19%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Other Post-employment Benefits Liability
Last Four Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's total OPEB liability				
Service cost	\$ 202,768	\$ 202,768	\$ 201,094	\$ 201,094
Interest	260,642	314,486	400,023	388,762
Differences between expected and actual experience	-	-	1,493,331	-
Changes of assumptions	(446,888)	624,316	-	-
Benefit payments	<u>(274,972)</u>	<u>(374,448)</u>	<u>(375,960)</u>	<u>(254,436)</u>
Net changes in the Authority's total OPEB liability	(258,450)	767,122	1,718,488	335,420
Authority's total OPEB liability (Beginning)	<u>12,229,155</u>	<u>11,462,033</u>	<u>9,743,545</u>	<u>9,408,125</u>
Authority's total OPEB liability (Ending)	<u><u>\$ 11,970,705</u></u>	<u><u>\$ 12,229,155</u></u>	<u><u>\$ 11,462,033</u></u>	<u><u>\$ 9,743,545</u></u>
Authority's covered payroll	\$ 2,986,449	\$ 3,106,052	\$ 3,148,014	\$ 3,124,824
Authority's net OPEB liability as a percentage of payroll of covered employee payroll	400.83%	393.72%	364.10%	311.81%

Notes to Schedule:

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Notes to the Required Supplementary Information

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

The June 30, 2021 measurement date includes one change in plan provisions as Chapter 140, P.L. 2021 reopened the Worker's Compensation Judges (WCJ) Part of PERS and transferred WCJs from the Defined Contribution Retirement Program (DCRP) and regular part of PERS into the WCJ Part of PERS.

Changes of Assumptions

The discount rate used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	5.66%	2015	4.90%
2020	7.00%	2017	5.00%	2014	5.39%
2019	6.28%	2016	3.98%		

The long-term expected rate of return used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	7.00%	2015	7.90%
2020	7.00%	2017	7.00%	2014	7.90%
2019	7.00%	2016	7.65%		

The mortality assumption was updated upon the direction from the Division of Pensions and Benefits.

Other Post-Employment Benefits (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate used as of December 31, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	2.06%	2019	2.74%
2020	2.12%	2018	4.10%

The long-term expected rate of return used as of December 31, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	2.50%	2019	2.50%
2020	2.50%	2018	2.50%

The medical trend rates were updated based on the direction of the State of New Jersey and *Governmental Accounting Standards*.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Sewer	\$ 21,217,957	\$ 21,217,957	\$ 21,610,207	\$ 392,250
Connection fees	582,540	582,540	821,716	239,176
Other municipalities	296,000	296,000	348,072	52,072
Delinquencies	484,000	484,000	361,372	(122,628)
Interest on investments	97,000	97,000	22,695	(74,305)
Realized gain/(loss) on sale of investments	-	-	3,416	3,416
Unrealized gain/(loss) on investments	-	-	(13,209)	(13,209)
Engineering and inspection	15,000	15,000	39,624	24,624
Miscellaneous	150,000	150,000	207,532	57,532
Total revenues	<u>22,842,497</u>	<u>22,842,497</u>	<u>23,401,425</u>	<u>558,928</u>
Costs:				
Administration	2,112,022	2,112,022	1,712,195	399,827
Maintenance of system	4,996,720	4,996,720	4,140,704	856,016
Treatment charges - OCUA	11,400,000	11,400,000	11,378,069	21,931
Debt service - interest	90,434	90,434	88,157	2,277
Debt service - principal	671,533	671,533	671,535	(2)
Municipality appropriation	959,014	959,014	959,014	-
Capital outlay (capitalized)	290,500	290,500	270,715	19,785
Rehabilitation project (capitalized)	1,177,743	1,177,743	3,371,594	(2,193,851)
Total costs	<u>21,697,966</u>	<u>21,697,966</u>	<u>22,591,983</u>	<u>(894,017)</u>
Net variance	<u>\$ 1,144,531</u>	<u>\$ 1,144,531</u>	809,442	<u>\$ (335,089)</u>
Plus:				
Capitalized capital assets			3,642,309	
Principal maturity			671,535	
Non-operating revenues			46,594	
Non-budgeted pension credit			1,061,508	
Less:				
Depreciation expense			(2,994,741)	
Non-budgeted post employment benefit expense			(331,545)	
Change in net position			<u>\$ 2,905,102</u>	

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Sewer	\$ 20,564,082	\$ 20,564,082	\$ 20,550,579	\$ (13,503)
Connection fees	830,490	830,490	897,197	66,707
Other municipalities	284,300	284,300	344,493	60,193
Delinquencies	330,000	330,000	376,695	46,695
Interest on investments	96,635	96,635	76,792	(19,843)
Realized gain/(loss) on sale of investments	-	-	5,296	5,296
Unrealized gain/(loss) on investments	-	-	13,001	13,001
Engineering and inspection	15,000	15,000	30,551	15,551
Miscellaneous	100,000	100,000	306,315	206,315
Total revenues	<u>22,220,507</u>	<u>22,220,507</u>	<u>22,600,919</u>	<u>380,412</u>
Costs:				
Administration	2,107,461	2,107,461	1,748,051	359,410
Maintenance of system	5,148,116	5,128,136	4,109,299	1,018,837
Treatment charges - OCUA	11,809,200	11,809,200	11,234,478	574,722
Debt service - interest	89,661	92,021	91,240	781
Debt service - principal	622,107	639,727	660,432	(20,705)
Municipality appropriation	984,344	984,344	984,344	-
Capital outlay (capitalized)	55,000	55,000	132,058	(77,058)
Rehabilitation project (capitalized)	795,000	795,000	2,759,362	(1,964,362)
Total costs	<u>21,610,889</u>	<u>21,610,889</u>	<u>21,719,264</u>	<u>(108,375)</u>
Net variance	<u>\$ 609,618</u>	<u>\$ 609,618</u>	881,655	<u>\$ 272,037</u>
Plus:				
Capitalized capital assets			2,891,420	
Principal maturity			660,432	
Non-operating revenues			187,961	
Non-budgeted pension credit			44,265	
Less:				
Depreciation expense			(3,071,123)	
Non-budgeted post employment benefit expense			<u>(321,425)</u>	
Change in net position			<u>\$ 1,273,185</u>	

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

The Chairman and Commissioners
of the Toms River Municipal Utilities Authority
County of Ocean
Toms River, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and 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, the financial statements of the business-type activities of the Toms River Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Toms River, County of Ocean, State of New Jersey, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 21, 2022.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

September 21, 2022
Lakewood, New Jersey

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB
CIRCULAR 15-08**

The Chairman and Commissioners
of the Toms River Municipal Utilities Authority
County of Ocean
Toms River, New Jersey

Report on Compliance for Each Major State Program

We have audited the Toms River Municipal Utilities Authority's (hereafter referred to as the Authority), a component unit of the Township of Toms River, County of Ocean, State of New Jersey compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major state programs for the fiscal year ended December 31, 2021. The Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and the audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2021.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

September 21, 2022
Lakewood, New Jersey

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of Expenditures of State Financial Assistance
December 31, 2021

State Grantor/Pass-through Grantor Program Title	Grant or Contact Number	Expenditures	Cumulative Total Expenditures	Pass-through to Subrecipients
State of New Jersey, Department of Environmental Protection				
Passed through the State of New Jersey Infrastructure Bank				
New Jersey Environmental Trust - 2020A Construction Loan	* S340 145-05	\$ 2,164,165	\$ 3,675,765	\$ -
New Jersey Environmental Trust - 2021A Construction Loan	* S340 145-08	97,028	97,028	-
Total State Financial Assistance		\$ 2,261,193	\$ 3,772,793	\$ -

* - Denotes major program

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Notes to the Schedule of Expenditures of State Financial Assistance

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Toms River Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Toms River, County of Ocean, State of New Jersey. The Authority is defined in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of state financial assistance is presented using the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO THE STATE FINANCIAL REPORTS

The basic financial statements are presented on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made. Amounts reported in the accompanying schedule agree with the amounts reported in the Authority's financial statements as follows:

**Reconciliation to Schedule of Expenditures
of State Financial Assistance:**

Add: Current year construction loans – NJIB	\$ 4,070,472
Less: Prior year construction loans – NJIB	(1,511,600)
Less: Current year NJIB loan funds receivable	<u>(297,679)</u>
Total per Schedule of Expenditures of State Financial Assistance	<u><u>\$ 2,261,193</u></u>

NOTE 4: RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

NOTE 5: NON-CASH FEDERAL AND STATE ASSISTANCE

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

NOTE 6: LOAN GUARANTEES

At December 31, 2021, the Authority is not the guarantor of any loans outstanding.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
1) Material weakness(es) identified?	_____ Yes <u> X </u> None Reported
2) Significant deficiency(ies) identified?	_____ Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> None Reported

State Financial Assistance

Dollar threshold used to determine Type A programs	\$750,000
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No
Internal control over major programs:	
1) Material weakness(es) identified?	_____ Yes <u> X </u> None Reported
2) Significant deficiency(ies) identified?	_____ Yes <u> X </u> None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB's Circular 15-08?	_____ Yes <u> X </u> None Reported
Identification of major programs:	

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
NJIB - S340 145-05	New Jersey Environmental Infrastructure Trust
NJIB - S340 145-08	New Jersey Environmental Infrastructure Trust

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2021

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with 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.

No Current Year Findings

Section III – State Financial Assistance Finding and Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of state programs, as required by New Jersey OMB's Circular 15-08.

No Current Year Findings

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River, County Ocean, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended December 31, 2021

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Board of Commissioners and Management
December 31, 2021

Charles S. Valvano Chairman

Tariq M. Siddiqui, P.E. Vice-Chairperson

Phillip Brilliant Commissioner

Deborah L. Clement Commissioner

Ben A. Montenegro Commissioner

Joseph G. Bilotta Alternate Commissioner

Dr. Alfonso J. Manforti Alternate Commissioner

Bernard Rutkowski (Effective February, 2021) Executive Director/Secretary/Treasurer

Rosemary Rosetto Chief Financial Officer/Assistant Treasurer

Christina Diamante Executive Assistant/Assistant Secretary

The Chairman and Commissioners
of the Toms River Municipal Utilities Authority
County of Ocean
Toms River, New Jersey

We have audited the financial accounts and transactions of the Toms River Municipal Utilities Authority, (hereafter referred to as the Authority) a component unit of the Township of Toms River, County of Ocean, State of New Jersey for the year ended December 31, 2021. In accordance with requirements prescribed 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.

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

The minutes indicate that bids were requested by public advertising and awarded by resolution for the following items: pump station catwalk and slide gate replacement and trenchless repair clamps.

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 Authority obtained three quotes.

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 we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Capital Assets

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 November 24, 2020 and adopted its operating budget on December 15, 2020.

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.

Acknowledgment

We received the complete cooperation of all the Commission officials and 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

September 21, 2022
Lakewood, New Jersey