

**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, 2023 and 2022**

**(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)**  
**Table of Contents**

	<u>Page</u>
Independent Auditor's Report	1
<b>Required Supplementary Information, Part I:</b>	
Management's Discussion and Analysis	4
<b>Basic Financial Statements:</b>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	12
<b>Required Supplementary Information, Part II:</b>	
Schedule I – Schedule of the Authority's Proportionate Share of the Net Pension Liability – Public Employees' Retirement System	39
Schedule II – Schedule of Authority Contributions – Public Employees' System	40
Schedule III – Schedule of the Authority's Proportionate Share of the Net Other Post-employment Benefits Liability	41
Notes to the Other Required Supplementary Information	42
<b>Supplementary Information:</b>	
Schedule IV – Schedules of Revenues and Expenses - Budget to Actual For the years ended December 31, 2023 and 2022	43
<b>Single Audit Section:</b>	
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 <i>Government Auditing Standards</i>	45

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

**Single Audit Section (continued):**

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by New Jersey OMB Circular 15-08	47
Schedule of Expenditures of State Financial Assistance	50
Notes to Schedule of Expenditures of State Financial Assistance	51
Schedule of Findings and Questioned Costs	52
Summary Schedule of Prior Year Audit Findings and Questioned Costs	54
Board of Commissioners and Management	55
General Comments and Recommendations	56



## INDEPENDENT AUDITOR'S REPORT

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

### 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 *Governmental 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, *Governmental 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 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, *Governmental 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, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information 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*, and other supplementary information as listed in the table of contents, 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 accompanying schedule of state financial assistance and other supplementary information as listed in the table of contents 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 July 17, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

July 17, 2024  
Lakewood, New Jersey



# TOMS RIVER MUNICIPAL UTILITIES AUTHORITY

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Charles S. Valvano, Chairman  
Tariq M. Siddiqui, Vice-Chairman  
Alfonso J. Manforti, Commissioner  
Philip I. Brilliant, Commissioner

Joseph G. Bilotta, Commissioner  
Katarina Sevastakis, Alternate Commissioner  
Sam Ellenbogen, Alternate Commissioner  
Bernard Rutkowski, Executive Director

The Chairman and Commissioners  
of the 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, 2023 and 2022 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, 2023 and 2022.

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, 2023, had total assets and deferred outflows of resources of \$81,973,631 compared to \$76,981,627 and \$73,638,088 at December 31, 2022 and 2021, respectively. The changes from year to year are primarily due to the increase in cash, purchase of capital assets in relation to the rehabilitation project and the purchase of restricted investments.

The Authority, at December 31, 2023, had total liabilities and deferred inflows of resources of \$38,557,386 compared to \$36,472,916 and \$37,512,439 at December 31, 2022 and 2021, respectively. The changes from year to year are primarily due to the issuance and 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, 2023, had a total net position of \$43,396,386 compared to \$40,508,711 and \$36,125,649 at December 31, 2022 and 2021, respectively. The increase from year to year can be primarily attributed to revenues exceeding expenses.

## Condensed Financial Information

Key Authority Financial Information include the following balances:

### Financial Position:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current unrestricted assets	\$ 18,130,097	\$ 14,516,970	\$ 11,031,887
Current restricted assets	7,510,837	7,783,809	7,837,376
Capital assets, net	54,330,364	52,445,174	52,658,174
Total assets	<u>79,971,298</u>	<u>74,745,953</u>	<u>71,527,437</u>
Deferred outflows of resources	2,002,333	2,235,674	2,110,651
Total assets and deferred outflow of resources	<u>\$ 81,973,631</u>	<u>\$ 76,981,627</u>	<u>\$ 73,638,088</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current unrestricted liabilities	\$ 3,651,263	\$ 3,285,673	\$ 4,068,645
Current restricted liabilities	5,624,498	3,721,188	6,535,657
Long-term liabilities	27,509,147	26,989,987	23,026,017
Total liabilities	<u>36,784,908</u>	<u>33,996,848</u>	<u>33,630,319</u>
Deferred inflow of resources	1,792,478	2,476,068	3,882,120
Total liabilities and deferred inflow of resources	<u>38,577,386</u>	<u>36,472,916</u>	<u>37,512,439</u>
<b>NET POSITION</b>			
Investments in capital assets, net of related debt	41,578,045	41,815,523	42,534,004
Unrestricted net position	<u>1,818,200</u>	<u>(1,306,812)</u>	<u>(6,408,355)</u>
Total net position	<u>43,396,386</u>	<u>40,508,711</u>	<u>36,125,649</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 81,973,631</u>	<u>\$ 76,981,627</u>	<u>\$ 73,638,088</u>

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total revenues	\$ 24,388,856	\$ 24,591,738	\$ 23,448,019
Total expenses	<u>(21,501,322)</u>	<u>(20,208,676)</u>	<u>(20,542,917)</u>
Net income (loss)	<u>\$ 2,887,534</u>	<u>\$ 4,383,062</u>	<u>\$ 2,905,102</u>
Capital spending	\$ 4,788,778	\$ 2,559,894	\$ 3,642,309
Capital contributions	40,879	136,694	-
Connection fees	300,378	641,764	821,716
Bonds paid down	783,812	716,719	671,535
Bonds payable, net	9,884,707	9,602,095	6,407,866

Authority revenues were \$181,518 over budgeted for 2023 and \$93,558 over budgeted for 2022. For 2023, this was primarily due to delinquencies and interest on investments being favorable compared to budget. For



2022, this was primarily due to miscellaneous revenues and delinquencies 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

A handwritten signature in blue ink, appearing to read "Bernard Rutkowski", written over a horizontal line.

Bernard Rutkowski  
Executive Director

A handwritten signature in blue ink, appearing to read "Michael Lee", written over a horizontal line.

Michael Lee  
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, 2023 and 2022**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
Current unrestricted assets:		
Cash (Note 2)	\$ 15,563,130	\$ 11,491,399
Accounts receivable (Note 4)	2,229,324	2,504,022
Inventory	305,000	311,075
Due from OCUA (Note 5)	32,643	183,015
Prepaid expenses	-	27,459
Total current unrestricted assets	18,130,097	14,516,970
Current restricted assets:		
Restricted cash and investments:		
Capital reserve:		
Cash (Note 2)	290,000	596,420
Rate stabilization:		
Cash (Note 2)	1,373,590	1,294,985
Investments (Note 3)	157,113	222,060
Interest receivable	123	171
System renovation:		
Cash (Note 2)	3,643,309	3,617,071
Investments (Note 3)	2,955	4,922
Interest receivable	3	176
Other restricted funds:		
Cash (Note 2)	1,278,031	1,298,004
Operating:		
Investments (Note 3)	765,713	-
Cash (Note 2)	-	750,000
Total current restricted assets	7,510,837	7,783,809
Capital assets (Note 6)	154,319,578	149,530,800
Less: accumulated depreciation (Note 6)	(99,989,214)	(97,085,626)
Capital assets, net	54,330,364	52,445,174
Total assets	79,971,298	74,745,953
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions (Note 9)	445,381	472,431
Deferred outflows related to other postemployment benefits (Note 8)	1,514,585	1,713,815
Deferred outflows related to loss on bond refunding net of accumulated amortization (Note 7)	42,367	49,428
Total deferred outflow of resources	2,002,333	2,235,674
Total assets and deferred outflow of resources	\$ 81,973,631	\$ 76,981,627

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, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>LIABILITIES</b>		
Current unrestricted liabilities:		
Accounts payable	\$ 486,853	\$ 232,721
Accrued expenses (Note 7)	174,410	167,910
Deposits on connection fees	4,295	4,295
Unearned revenue (Note 7)	2,985,705	2,880,747
Total current unrestricted liabilities	3,651,263	3,285,673
Current restricted liabilities:		
Current portion of bonds payable - NJIB (Note 7)	833,699	805,395
Construction loan payable - NJIB (Note 7)	2,909,979	1,076,984
Accrued interest payable	57,347	57,347
Escrow performance bonds (Note 10)	1,175,186	1,194,187
Unemployment trust fund	86,960	87,932
Pension payable (Note 9)	561,327	499,343
Total current restricted liabilities	5,624,498	3,721,188
Long-term liabilities:		
Long-term portion of bonds payable - NJIB (Note 7)	9,051,008	8,796,700
Compensated absences (Note 7)	264,409	277,933
Net other postemployment benefits liability (Note 8)	12,110,460	11,939,552
Net pension liability (Note 9)	6,083,270	5,975,802
Total long-term liabilities	27,509,147	26,989,987
Total liabilities	36,784,908	33,996,848
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions (Note 9)	902,732	1,643,798
Deferred inflows related to other postemployment benefits (Note 8)	889,746	832,270
Total deferred inflow of resources	1,792,478	2,476,068
<b>NET POSITION</b>		
Net investment in capital assets	41,578,045	41,815,523
Unrestricted net position (Note 13)	1,818,200	(1,306,812)
Total net position	43,396,245	40,508,711
Total liabilities, deferred inflows of resources and net position	\$ 81,973,631	\$ 76,981,627

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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Sewerage charges	\$ 23,074,878	\$ 23,003,904
Connection fees	300,378	641,764
Engineering and inspection fees	20,925	36,593
Delinquent charges	429,703	256,754
Miscellaneous	171,450	333,530
Total operating revenues	<u>23,997,334</u>	<u>24,272,545</u>
Operating expenses:		
Administrative expenses	1,792,290	1,315,573
Maintenance and treatment	15,656,323	15,022,545
Depreciation	2,903,588	2,772,894
Total operating expenses	<u>20,352,201</u>	<u>19,111,012</u>
Net income/(loss) from operations	<u>3,645,133</u>	<u>5,161,533</u>
Non-operating revenues/(expenses):		
Interest income	279,017	65,094
Realized gain on sale of investments	1,169	1,635
Unrealized gain/(loss) on investments	19,238	(21,418)
Interest expense	(152,531)	(124,367)
Transfer to the Township of Toms River (Note 11)	(996,590)	(973,297)
Gain on disposal of fixed assets	36,697	122,666
Capital contributions	40,879	136,694
Amortization of bond premium	14,522	14,522
Total non-operating revenues/(expenses)	<u>(757,599)</u>	<u>(778,471)</u>
Change in net position	2,887,534	4,383,062
Net position, January 1	<u>40,508,711</u>	<u>36,125,649</u>
Net position, December 31	<u>\$ 43,396,245</u>	<u>\$ 40,508,711</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, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Cash received from service users	\$ 24,527,583	\$ 23,011,482
Cash paid to suppliers and employees	(18,301,484)	(18,078,451)
Interest income	279,017	65,094
Amount paid for interest	(152,531)	(124,367)
Net cash flows from operating activities	6,352,585	4,873,758
 <b>Cash flows from investing activities:</b>		
Purchases of investments	(750,000)	-
Proceeds from sale of investments	71,608	104,880
Acquisition and construction of capital assets	(4,788,778)	(2,423,200)
Acquisition of capital contributions	40,879	-
Proceeds from sale of capital assets	36,697	122,666
Net cash flows from investing activities	(5,389,594)	(2,195,654)
 <b>Cash flows from financing activities:</b>		
Principal repayment on long-term debt	(783,812)	(716,719)
Issuance of debt	2,921,002	939,043
Net cash flows from investing activities	2,137,190	222,324
 Change in cash	3,100,181	2,900,428
 Unrestricted and restricted cash, January 1	19,047,879	16,147,451
 Unrestricted and restricted cash, December 31	\$ 22,148,060	\$ 19,047,879
 <b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash	\$ 15,563,130	\$ 11,491,399
Current restricted assets:		
Capital reserve cash	290,000	596,420
Rate stabilization cash	1,373,590	1,294,985
System renovation cash	3,643,309	3,617,071
Other restricted cash	1,278,031	2,048,004
 Unrestricted and restricted cash, December 31	\$ 22,148,060	\$ 19,047,879

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, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Reconciliation of net loss to cash flows from operating activities:</b>		
Net income from operations	\$ 2,887,534	\$ 4,383,062
Items which did not use cash:		
Depreciation and amortization	2,903,588	2,772,894
Amortization of loss on bond refunding	(14,522)	(14,522)
Gain on sale of capital assets	(36,697)	(122,666)
Unbudgeted pension expense (credit)	(606,548)	(981,304)
Unbudgeted other postemployment benefit expense	427,614	307,488
Unrealized loss on investments	(19,238)	21,418
Realized gain on investments	(1,169)	(1,635)
Capital Contribution	(40,879)	(136,694)
Working capital changes which provided (used) cash:		
Accounts receivable	425,291	(619,427)
Inventory	6,075	(15,792)
Prepaid expenses	27,459	(20,532)
Accounts payable	234,159	(100,852)
Accrued expenses	6,500	29,266
Unearned revenues	104,958	(641,636)
Pension payable	61,984	(2,886)
Reserve for compensated absences	(13,524)	17,576
	<b>\$ 6,352,585</b>	<b>\$ 4,873,758</b>

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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

*Certificates of Deposit:* are valued at fair value by discounting the related cash flows based on current yields of similar investments with comparable durations considering the credit worthiness of the issuer.

*Government Securities:* are valued at quoted market prices which represent the net asset value of similar assets held on the market.

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.

**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**

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.

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.

**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**

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 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,

**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)**

**Use of Estimates (continued)**

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.

**Impact of Recently Issued Accounting Pronouncements**

*Adopted Accounting Pronouncements*

GASB has issued the following statements which became effective December 31, 2023 as shown below:

Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of this statement did not have a material impact on the Authority's financial statements and related disclosures.

*Accounting Pronouncements Effective in Future Reporting Periods*

Statement No. 101, *Compensated Absences*. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet determine the potential impact of this pronouncement on the Authority's financial statements.

Statement No. 100, *Accounting Changes and Error Corrections- an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. The effective date is for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet to determine the potential impact of these pronouncements on the Authority's financial statements.

**Subsequent Events**

The Authority has evaluated subsequent events occurring after December 31, 2023 through July 17, 2024, which is the date the financial statements were available to be issued.

**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**

This Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2023 and 2022, reported at fair value, are as follows:

	<u>2023</u>	<u>2022</u>
<b>Deposits:</b>		
Demand deposits	\$22,148,060	\$19,047,879
Total deposits	<u>\$22,148,060</u>	<u>\$19,047,879</u>
<b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash	\$15,563,130	\$11,491,399
Current restricted assets:		
Capital reserve cash	290,000	596,420
Rate stabilization cash	1,373,590	1,294,985
System renovation cash	3,643,309	3,617,071
Operating	-	750,000
Other restricted cash	<u>1,278,031</u>	<u>1,298,004</u>
Total current unrestricted and restricted cash	<u>\$22,148,060</u>	<u>\$19,047,879</u>

**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, 2023 and 2022, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2023</u>	<u>2022</u>
Insured by FDIC	\$ 500,000	\$ 750,000
Collateralized in the Authority's name under GUDPA	<u>21,674,244</u>	<u>15,444,382</u>
Total	<u>\$ 22,174,244</u>	<u>\$ 19,223,488</u>

The Board approved and adopted the Cash Management and Investment Policy on February 28, 2023 establishes the following restricted cash and investment accounts:

**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)**

<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 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.

**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.

**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 Credit Risk (continued)**

As of December 31, 2023 and 2022, the Authority had the following investments:

	<b>Investments at Fair Value as of December 31, 2023</b>			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Fixed income securities:				
Certificates of deposits	\$ -	\$ 765,713	\$ -	\$ 765,713
U.S. government agency obligations	<u>160,068</u>	<u>-</u>	<u>-</u>	<u>160,068</u>
Total investments at fair value	<u>\$ 160,068</u>	<u>\$ 765,713</u>	<u>\$ -</u>	<u>\$ 925,781</u>
	<b>Investments at Fair Value as of December 31, 2022</b>			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Fixed income securities:				
U.S. government agency obligations	<u>\$ 226,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,982</u>
Total investments at fair value	<u>\$ 226,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,982</u>

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable balances as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Accounts receivable – customers	\$ 2,164,718	\$ 2,407,665
Other receivables	300	4,698
Other municipalities	<u>64,306</u>	<u>91,659</u>
Total	<u>\$ 2,229,324</u>	<u>\$ 2,504,022</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 \$32,643 and \$183,015 for the years ended December 31, 2023 and 2022, 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 6: CAPITAL ASSETS**

The activity in capital assets for the years ended December 31, 2023 and 2022 are as followed:

	<b>Balance December 31, <u>2022</u></b>	<b><u>Additions</u></b>	<b><u>Retirements and Transfers</u></b>	<b>Balance December 31, <u>2023</u></b>
Capital assets not being depreciated				
Land	\$ 1,779,650	\$ -	\$ -	\$ 1,779,650
Construction in progress	<u>62,900</u>	<u>3,099,247</u>	<u>(25,034)</u>	<u>3,137,113</u>
Total capital assets not being depreciated	<u>1,842,550</u>	<u>3,099,247</u>	<u>(25,034)</u>	<u>4,916,763</u>
Capital assets being depreciated:				
Buildings and improvements	4,493,980	341,202	25,034	4,860,216
Collection system	134,883,443	1,074,756	-	135,958,199
Equipment	7,002,613	231,745	-	7,234,358
Furniture and fixtures	1,012,721	41,828	-	1,054,549
GIS deployed	<u>295,493</u>	<u>-</u>	<u>-</u>	<u>295,493</u>
Total capital assets being depreciated	<u>147,688,250</u>	<u>1,689,531</u>	<u>25,034</u>	<u>149,402,815</u>
Total capital assets	<u>149,530,800</u>	<u>4,788,778</u>	<u>-</u>	<u>154,319,578</u>
Less: accumulated depreciation	<u>(97,085,626)</u>	<u>(2,903,588)</u>	<u>-</u>	<u>(99,989,214)</u>
Total capital assets, being depreciated, net	<u>50,602,624</u>	<u>(1,214,057)</u>	<u>-</u>	<u>49,413,601</u>
Total capital assets, net	<u>\$ 52,445,174</u>	<u>\$ (1,885,190)</u>	<u>\$ -</u>	<u>\$ 54,330,364</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)**

	<b>Balance December 31, <u>2021</u></b>	<b><u>Additions</u></b>	<b><u>Retirements and Transfers</u></b>	<b>Balance December 31, <u>2022</u></b>
Capital assets not being depreciated				
Land	\$ 1,779,650	\$ -	\$ -	\$ 1,779,650
Construction in progress	<u>5,235,235</u>	<u>48,746</u>	<u>(5,221,081)</u>	<u>62,900</u>
Total capital assets not being depreciated	<u>7,014,885</u>	<u>48,746</u>	<u>(5,221,081)</u>	<u>1,842,550</u>
Capital assets being depreciated:				
Buildings and improvements	4,145,526	348,455	-	4,493,980
Collection system	128,470,509	1,191,853	5,221,081	134,883,443
Equipment	6,344,550	925,790	(267,728)	7,002,613
Furniture and fixtures	983,349	45,050	(15,678)	1,012,721
GIS deployed	<u>295,493</u>	<u>-</u>	<u>-</u>	<u>295,493</u>
Total capital assets being depreciated	<u>140,239,427</u>	<u>2,511,148</u>	<u>4,937,675</u>	<u>147,688,250</u>
Total capital assets	<u>147,254,312</u>	<u>2,559,894</u>	<u>(283,406)</u>	<u>149,530,800</u>
Less: accumulated depreciation	<u>(94,596,138)</u>	<u>(2,772,894)</u>	<u>283,406</u>	<u>(97,085,626)</u>
Total capital assets, being depreciated, net	<u>45,643,289</u>	<u>(261,746)</u>	<u>5,221,081</u>	<u>50,602,624</u>
Total capital assets, net	<u>\$ 52,658,174</u>	<u>\$ (213,000)</u>	<u>\$ -</u>	<u>\$ 52,445,174</u>

**NOTE 7: LIABILITIES**

**Accrued Expenses**

Accrued expenses as of December 31, 2023 and 2022 consisted of the following:

	<b><u>2023</u></b>	<b><u>2022</u></b>
Payroll	\$ 136,897	\$ 131,189
Payroll taxes	10,763	9,971
Professional fees	<u>26,750</u>	<u>26,750</u>
Total accrued expenses	<u>\$ 174,410</u>	<u>\$ 167,910</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, 2023 and 2022, unearned revenue totaled \$2,985,705 and \$2,880,747, 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, 2023 and 2022, the following changes occurred in long-term obligations:

	<b>Balance</b>		<b>Reduction/</b>	<b>Balance</b>	<b>Balance</b>
	<b><u>12/31/22</u></b>	<b><u>Additions</u></b>	<b><u>Adjustments</u></b>	<b><u>12/31/23</u></b>	<b><u>Due Within</u></b>
					<b><u>One Year</u></b>
Bonds payable	\$ 9,406,956	\$1,072,330	\$ 783,812	\$ 9,695,474	\$ 812,116
Unamortized loan premium	<u>195,139</u>	<u>15,677</u>	<u>21,583</u>	<u>189,233</u>	<u>21,583</u>
Bonds payable, net	<u>9,602,095</u>	<u>1,088,007</u>	<u>805,395</u>	<u>9,884,707</u>	<u>833,699</u>
Construction loan payable	1,076,984	2,909,979	1,076,984	2,909,979	2,909,979
Net other postemployment benefits liability	11,939,552	170,908	-	12,110,460	-
Compensated absences	277,933	-	13,524	264,409	-
Net pension liability	<u>5,975,802</u>	<u>107,468</u>	<u>-</u>	<u>6,083,270</u>	<u>-</u>
Total	<u>\$28,872,366</u>	<u>\$4,276,362</u>	<u>\$ 1,895,903</u>	<u>\$30,974,449</u>	<u>\$3,743,678</u>

	<b>Balance</b>		<b>Reduction/</b>	<b>Balance</b>	<b>Balance</b>
	<b><u>12/31/21</u></b>	<b><u>Additions</u></b>	<b><u>Adjustments</u></b>	<b><u>12/31/22</u></b>	<b><u>Due Within</u></b>
					<b><u>One Year</u></b>
Bonds payable	\$ 6,217,410	\$3,906,265	\$ 716,719	\$ 9,406,956	\$ 783,812
Unamortized loan premium	<u>190,456</u>	<u>26,266</u>	<u>21,583</u>	<u>195,139</u>	<u>21,583</u>
Bonds payable, net	<u>6,407,866</u>	<u>3,932,531</u>	<u>738,302</u>	<u>9,602,095</u>	<u>805,395</u>
Construction loan payable	4,070,472	939,043	3,932,531	1,076,984	1,076,984
Net other postemployment benefits liability	11,970,705	-	31,153	11,939,552	-
Compensated absences	260,357	17,576	-	277,933	-
Net pension liability	<u>5,080,329</u>	<u>895,473</u>	<u>-</u>	<u>5,975,802</u>	<u>-</u>
Total	<u>\$27,789,729</u>	<u>\$5,784,623</u>	<u>\$ 4,701,986</u>	<u>\$28,872,366</u>	<u>\$1,882,379</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, 2020A-1, 2022A-1 and 2023C-W1/A-W1 Loans Payable**

Loans payable at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
2010A NJIB Fund Loans, bearing no interest, maturity dates February 1 from 2011 to 2029.	\$ 2,293,568	\$ 2,693,042
2014A NJIB Fund Loans, bearing no interest, maturity dates August 1 from 2014 to 2033.	516,085	572,718
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.	660,000	715,000
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.	947,000	1,082,000
2020A-1 NJIB Fund Loans, bearing no interest, maturity dates August 1 from 2020 to 2034.	290,690	317,117
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.	155,000	165,000
2022A-1 NJIB Fund Loans, bearing no interest, maturity dates August 1 from 2022 to 2051.	1,855,801	1,922,079
2022A-1 NJIB Trust Loan Refunding, bearing interest ranging from 3.25% to 5.00% per annum; maturity dates each February 1 from 2022 to 2051. Interest payable on February 1 and August 1 each year to maturity.	1,905,000	1,940,000
2023C-W1/A-W1 NJIB Fund Loans, bearing no interest, maturity dates August 1 from 2024 to 2043.	569,463	-
2023C-W1/A-W1 NJIB Trust Loan Refunding, bearing interest ranging from 3.03% to 5.00% per annum; maturity dates each February 1 from 2024 to 2043. Interest payable on February 1 and August 1 each year to maturity.	<u>502,867</u>	<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 7: LIABILITIES (continued)**

**New Jersey Infrastructure Bank Series 2010A, 2014A, 2017A-R2, 2020A-1, 2022A-1 and 2023C-W1/A-W1 Loans Payable (continued)**

Total loans	9,695,474	9,406,956
Less: current portion, including current portion of unamortized bond premium	<u>(833,699)</u>	<u>(805,395)</u>
Subtotal	8,861,775	8,601,561
Add: total unamortized bond premium	<u>189,233</u>	<u>195,139</u>
Total	<u>\$ 9,051,008</u>	<u>\$ 8,796,700</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, 2023 and 2022, the remaining balances were \$2,293,568 and \$2,693,042, respectively.

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, 2023, and 2022, the remaining balances were \$516,085 and \$572,718, 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, 2023 and 2022, this bond issuance premium had a balance of \$43,239 and \$47,406, 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, 2023 and 2022, the remaining balances were \$660,000 and \$715,000, 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, 2023 and 2022, the remaining balances were \$947,000 and \$1,082,000, 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, 2023 and 2022, the net balance of the deferred outflow related to the loss on bond refunding were \$42,367 and \$49,428, 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

**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, 2020A-1, 2022A-1 and 2023C-W1/A-W1 Loans Payable (continued)**

position. This premium will be amortized over the life of the bonds. As of December 31, 2023 and 2022, the outstanding premium balances were \$91,377 and \$106,606 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, 2023 and 2022, the remaining balances were \$445,690 and \$482,117, 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, 2023 and 2022, the outstanding premium balances were \$14,426 and \$15,737 respectively.

On June 23, 2022, the Authority issued Series 2022 A-1 NJIB Refunding Bonds in the amount of \$3,906,265. The bonds mature annually from February 1, 2022 through 2051 at annual maturities ranging from \$101,279 to \$176,279 and bear interest rates at from 3.25% to 5.00%. As of December 31, 2023 and 2022, the remaining balances were \$3,760,801 and \$3,862,079, respectively. A premium of \$26,266 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, 2023 and 2022, the outstanding premium balances were \$24,514 and \$25,390 respectively.

On December 15, 2023, the Authority issued Series 2023 C-W1/A-W1 NJIB Refunding Bonds in the amount of \$1,072,380. The bonds mature annually from February 1, 2024 through 2043 at annual maturities ranging from \$43,956 to \$78,432 and bear interest rates at from 3.03% to 5.00%. As of December 31, 2023 and 2022, the remaining balances were \$1,072,330 and \$0, respectively. A premium of \$15,677 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, 2023 and 2022, the outstanding premium balances were \$15,677 and \$0 respectively.

At December 31, 2023, the debt service requirements on the NJIB Loans until maturity are as follows:

<b><u>Year Ending</u></b> <b><u>December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	\$ 812,116	\$ 156,187	\$ 968,303
2025	851,767	151,138	1,002,905
2026	861,767	140,128	1,001,895
2027	876,767	128,668	1,005,435
2028	890,767	116,608	1,007,375
2029 – 2033	2,105,424	430,097	2,535,521
2034 – 2038	976,532	292,049	1,268,581
2039 – 2043	1,025,105	208,153	1,233,258
2044 – 2048	781,393	117,775	899,168
2049 - 2051	513,836	25,600	539,436
Total	<u>\$ 9,695,474</u>	<u>\$ 1,766,403</u>	<u>\$ 11,461,877</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)**

**Compensated Absences**

For the years ended December 31, 2023 and 2022 the Authority accrued compensated absences in the amount of \$264,409 and \$277,933, 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 2021 to be utilized as work progresses through the completion of such construction. As of December 31, 2023, and 2022, the amount borrowed and outstanding under such loan was \$0 and \$1,076,984, 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 2023 to be utilized as work progresses through the completion of such construction. As of December 31, 2023, and 2022, the amount borrowed and outstanding under such loan was \$2,909,979 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.

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

For the year ended December 31, 2023, 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

**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)**

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, 2023 the Authority funded \$332,102 to the plan.

**Employees Covered by Benefits Terms** – As of December 31, 2023, there were 38 participants currently receiving retiree benefits, and 43 active participants of whom 5 are eligible to retire as of the valuation date.

**Total OPEB Liability** – The Authority’s total OPEB liability of \$12,110,460 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Mortality	PUB 2010 “General” classification headcount weighted mortality with general improvement using Scale MP-2022
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	3.72% Based on Bond Buyer 20 Index at December 31, 2022 3.26% Based on Bond Buyer 20 Index at December 31, 2023
CPI Increase	2.50%
Rate of Salary Increase	2.50%
Medical Trend	Medical: 5.1% in 2023, reducing 0.2% per annum, leveling at 4.5% per annum in 2026; Drug: 6.0% in 2022, 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:



**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)**

**Changes in the Total OPEB Liability (continued)**

	<b>Total OPEB Liability</b>
Total OPEB Liability December 31, 2022	\$ 11,939,552
Changes in Total OPEB Liability	
Service Costs	197,703
Interest	445,329
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in Assumptions	(140,022)
Benefit Payments	(332,102)
Net Changes in Total OPEB Liability	170,908
Total OPEB Liability December 31, 2023	\$ 12,110,460

**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 (2.26 percent) or 1- percentage-point higher (4.26 percent) than that of the current discount rate:

	<b>1 % Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b><u>(2.26%)</u></b>	<b><u>(3.26%)</u></b>	<b><u>(4.26%)</u></b>
Total OPEB Liability	\$ <u>13,455,927</u>	\$ <u>12,110,460</u>	\$ <u>11,033,191</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:

	<b>1 % Decrease</b>	<b>Medical</b>	<b>1% Increase</b>
	<b><u>(1.00%)</u></b>	<b><u>Trend Rate</u></b>	<b><u>(1.00%)</u></b>
Total OPEB Liability	\$ <u>11,203,494</u>	\$ <u>12,110,460</u>	\$ <u>13,256,236</u>

**OPEB Expense** – For the year ended December 31, 2023, the Authority had a total OPEB expense of \$759,716 based on the discount rate of 3.26%.

**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)**

**Changes in the Total OPEB Liability (continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 240,261	\$ -
Changes of Assumptions	1,274,324	(889,746)
	\$ 1,514,585	\$ (889,746)

**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 annual financial statements, 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. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of

**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. 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 2023, the State's pension contribution was more 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, 2023, the Authority's contractually required contribution to PERS plan was \$561,326.

**Components of Net Pension Liability**

At December 31, 2023, the Authority's proportionate share of the PERS net pension liability was \$6,083,270. The net pension liability was measured as of June 30, 2023. 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, 2022, which was rolled forward to June 30, 2023. 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, 2023. The Authority's proportion measured as of June 30, 2023, was

**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 (continued)**

0.0419988441% which was an increase of 0.002401383% from its proportion measured as of June 30, 2022.

**Balances at December 31, 2023 and December 31, 2022**

	<u>12/31/2023</u>	<u>12/31/2022</u>
Actuarial valuation date (including roll forward)	June 30, 2023	June 30, 2022
Deferred Outflows of Resources	\$ 445,381	\$ 472,431
Deferred Inflows of Resources	902,732	1,643,798
Net Pension Liability	6,083,270	5,975,802
Authority's portion of the plan's total Net Pension Liability	0.04200%	0.03960%

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

At December 31, 2023, the Authority's proportionate share of the PERS (benefit) expense, calculated by the plan as of the June 30, 2023 measurement date is \$(45,001). At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 58,164	\$ 24,866
Changes of Assumptions	13,364	368,672
Net difference between projected and actual earnings on pension plan investments	28,014	-
Changes in proportion and differences between the Authority's contributions and proportion share of contributions	<u>345,839</u>	<u>509,194</u>
	<u>\$ 445,381</u>	<u>\$ 902,732</u>

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

**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 (Benefit) Expense and Deferred Outflows/Inflows of Resources (continued)**

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>
2024	\$ (353,845)
2025	(211,938)
2026	217,843
2027	(77,503)
2028	<u>(31,908)</u>
Total	<u>\$ (457,351)</u>

**Special Funding**

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

Additionally, the State has no proportionate share of the PERS net pension liability attributable to the Authority as of December 31, 2023. At December 31, 2023, the State's proportionate share of the PERS expense, associated with the Authority, calculated by the plan as of the June 30, 2023 measurement date was \$18,971.

**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:

**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)**

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
	2.75% - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010 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, 2018 - June 30, 2021

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

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

**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, 2023) 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

**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)**

actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%
	<u>100.00%</u>	

**Discount Rate**

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

**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)**

**Sensitivity of the Authority’s proportionate share of the Net Pension Liability to Changes in the Discount Rate (continued)**

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:

	<b>1 % Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b><u>(6.00%)</u></b>	<b><u>(7.00%)</u></b>	<b><u>(8.00%)</u></b>
Authority’s proportionate share of the Net Pension Liability	<u>\$ 7,985,887</u>	<u>\$ 6,083,270</u>	<u>\$ 4,558,829</u>

**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, 2023 and 2022 the Authority had escrow performance bonds in the amount of \$1,175,186 and \$1,194,187, 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, 2023 and 2022, the Authority transferred \$996,590 and \$973,297 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 (\$1,306,812) at December 31, 2022. At December 31, 2023, the Authority did not have a deficit in unrestricted net position. The primary cause of this deficit at December 31, 2022 is due to the recording of the net pension liability and other net postemployment benefit liability, as required by generally accepted accounting



**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 13: DEFICIT UNRESTRICTED NET POSITION (continued)**

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 \$19,889,442 and \$16,898,364 as of December 31, 2023 and 2022, respectively. This deficit at December 31, 2022 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 Ten Fiscal Years

	Measurement Date Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability/(asset)	0.04200%	0.03960%	0.04288%	0.04390%	0.04469%	0.04202%	0.04111%	0.04111%	0.03818%	0.03572%
Authority's proportionate share of the net pension liability/(asset)	\$ 6,083,270	\$ 5,975,802	\$ 5,080,329	\$ 7,159,168	\$ 8,052,718	\$ 8,273,583	\$ 9,570,145	\$ 12,175,591	\$ 8,570,368	\$ 6,688,090
Authority's covered employee payroll	\$ 3,171,497	\$ 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
Authority's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	191.81%	200.10%	163.56%	227.42%	257.70%	277.45%	340.26%	318.36%	283.89%	283.89%
Plan fiduciary net position as a percentage of the total pension liability	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%

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

	Year Ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 561,327	\$ 499,343	\$ 502,229	\$ 480,259	\$ 434,716	\$ 417,966	\$ 380,856	\$ 365,215	\$ 328,235	\$ 294,485
Contributions in relation to the contractually required contribution	(561,327)	(499,343)	(502,229)	(480,259)	(434,716)	(417,966)	(380,856)	(365,215)	(328,235)	(294,485)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered employee payroll	\$ 3,266,517	\$ 3,171,497	\$ 2,986,449	\$ 3,106,052	\$ 3,148,014	\$ 3,124,824	\$ 2,982,021	\$ 2,812,629	\$ 2,809,779	\$ 2,692,076
Contributions as a percentage of covered employee payroll	17.18%	15.74%	16.82%	15.46%	13.81%	13.38%	12.77%	12.98%	11.68%	10.94%

**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 Six Fiscal Years \*

	2023	2022	2021	2020	2019	2018
<b>Authority's total OPEB liability</b>						
Service cost	\$ 197,703	\$ 206,777	\$ 202,768	\$ 202,768	\$ 201,094	\$ 201,094
Interest	445,329	248,024	260,642	314,486	400,023	388,762
Differences between expected and actual experience	-	281,483	-	-	1,493,331	-
Changes of assumptions	(140,022)	(492,465)	(446,888)	624,316	-	-
Benefit payments	(332,102)	(274,972)	(274,972)	(374,448)	(375,960)	(254,436)
<b>Net changes in the Authority's total OPEB liability</b>	170,908	(31,153)	(258,450)	767,122	1,718,488	335,420
Authority's total OPEB liability (Beginning)	11,939,552	11,970,705	12,229,155	11,462,033	9,743,545	9,408,125
Authority's total OPEB liability (Ending)	<u>\$ 12,110,460</u>	<u>\$ 11,939,552</u>	<u>\$ 11,970,705</u>	<u>\$ 12,229,155</u>	<u>\$ 11,462,033</u>	<u>\$ 9,743,545</u>
Authority's covered payroll	\$ 3,266,517	\$ 3,171,497	\$ 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	370.75%	376.46%	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 other Required Supplementary Information**

**Public Employees' Retirement System (PERS)**

*Changes of Benefit Terms*

None.

*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>
2023	7.00%	2018	5.66%
2022	7.00%	2017	5.00%
2021	7.00%	2016	3.98%
2020	7.00%	2015	4.90%
2019	6.28%	2014	5.39%

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>
2023	7.00%	2018	7.00%
2022	7.00%	2017	7.00%
2021	7.00%	2016	7.65%
2020	7.00%	2015	7.90%
2019	7.00%	2014	7.90%

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

**Other Post-Employment Benefits (OPEB)**

*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>	<u>Year</u>	<u>Rate</u>
2023	3.26%	2021	2.06%	2019	2.74%
2022	3.72%	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>	<u>Year</u>	<u>Rate</u>
2023	2.50%	2021	2.50%	2019	2.50%
2022	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, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Sewer	\$ 22,647,977	\$ 22,647,977	\$ 22,746,948	\$ 98,971
Connection fees	678,263	678,263	300,378	(377,885)
Other municipalities	347,000	347,000	327,930	(19,070)
Delinquencies	175,000	175,000	429,703	254,703
Interest on investments	78,000	78,000	279,017	201,017
Realized gain/(loss) on sale of investments	-	-	1,169	1,169
Unrealized gain/(loss) on investments	-	-	19,238	19,238
Engineering and inspection	39,000	39,000	20,925	(18,075)
Miscellaneous	150,000	150,000	171,450	21,450
<b>Total revenues</b>	<u>24,115,240</u>	<u>24,115,240</u>	<u>24,296,758</u>	<u>181,518</u>
Costs:				
Administration	2,148,577	2,148,577	1,863,864	284,713
Maintenance of system	5,564,423	5,564,423	4,386,151	1,178,272
Treatment charges - OCUA	11,435,000	11,435,000	11,377,532	57,468
Debt service - interest	152,531	152,531	152,531	-
Debt service - principal	783,803	783,803	783,812	(9)
Municipality appropriation	996,590	996,590	996,590	-
Capital outlay (capitalized)	725,000	725,000	631,929	93,071
Rehabilitation project (capitalized)	1,650,450	1,650,450	1,057,602	592,848
<b>Total costs</b>	<u>23,456,374</u>	<u>23,456,374</u>	<u>21,250,011</u>	<u>2,206,363</u>
<b>Net variance</b>	<u>\$ 658,866</u>	<u>\$ 658,866</u>	<u>3,046,747</u>	<u>\$ 2,387,881</u>
Plus:				
Capitalized capital assets			1,689,531	
Principal maturity			783,812	
Non-operating revenues			92,098	
Unbudgeted pension credit			606,548	
Less:				
Depreciation expense			(2,903,588)	
Unbudgeted other post employment benefit expense			(427,614)	
<b>Change in net position</b>			<u>\$ 2,887,534</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Sewer	\$ 22,691,722	\$ 22,691,722	\$ 22,669,430	\$ (22,292)
Connection fees	632,280	632,280	641,764	9,484
Other municipalities	345,426	345,426	334,474	(10,952)
Delinquencies	200,000	200,000	256,754	56,754
Interest on investments	78,000	78,000	65,094	(12,906)
Realized gain/(loss) on sale of investments	-	-	1,635	1,635
Unrealized gain/(loss) on investments	-	-	(21,418)	(21,418)
Engineering and inspection	26,870	26,870	36,593	9,723
Miscellaneous	250,000	250,000	333,530	83,530
	<u>24,224,298</u>	<u>24,224,298</u>	<u>24,317,856</u>	<u>93,558</u>
Costs:				
Administration	2,045,752	2,045,752	1,585,099	460,653
Maintenance of system	5,212,659	5,212,659	4,199,675	1,012,984
Treatment charges - OCUA	11,535,000	11,535,000	11,227,160	307,840
Debt service - interest	82,274	82,274	124,367	(42,093)
Debt service - principal	672,533	731,623	716,719	14,904
Municipality appropriation	973,297	973,297	973,297	-
Capital outlay (capitalized)	470,000	470,000	595,773	(125,773)
Rehabilitation project (capitalized)	1,660,000	1,660,000	1,126,554	533,446
	<u>22,651,515</u>	<u>22,710,605</u>	<u>20,548,644</u>	<u>2,161,961</u>
Net variance	<u>\$ 1,572,783</u>	<u>\$ 1,513,693</u>	3,769,212	<u>\$ 2,255,519</u>
Plus:				
Capitalized capital assets			1,722,327	
Capital assets financed through NJIB			-	
Principal maturity			716,719	
Non-operating revenues			273,882	
Unbudgeted pension credit			981,304	
Less:				
Depreciation expense			(2,772,894)	
Unbudgeted other post employment benefit expense			<u>(307,488)</u>	
Change in net position			<u>\$ 4,383,062</u>	



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**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, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated July 17, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that have not been identified.



## **Report on Compliance and Other Matters**

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

July 17, 2024  
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, 2023. 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.

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 fiscal year ended December 31, 2023.

**Basis for Opinion on Each Major State Program**

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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

## **Management's Responsibility**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with state statutes, regulations, rules, and the terms and conditions of its state awards applicable to its state programs.

## **Auditor's Responsibility**

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, 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, we:

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

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

## **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 Auditor's Responsibility section above 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.

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

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*

July 17, 2024  
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, 2023**

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 - 2023 Construction Loan	*	2,909,979	2,909,979	-
Total State Financial Assistance		\$ 2,909,979	\$ 2,909,979	\$ -

\* - 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.

**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, 2023, 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, 2023**

**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:	

<b><u>State Grant/Project Number(s)</u></b>	<b><u>Name of State Program</u></b>
NJIB - S340 145-07	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, 2023**

**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, 2023**

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 New Jersey OMB's Circular 15-08.

**FINANCIAL STATEMENT FINDINGS**

No Prior Year Findings

**STATE FINANCIAL ASSISTANCE 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, 2023**

Charles S. Valvano ..... Chairman  
Tariq M. Siddiqui, P.E. .... Vice-Chairperson  
Phillip Brilliant ..... Commissioner  
Deborah L. Clement ..... Commissioner  
Dr. Alfonso J. Manforti ..... Commissioner  
Joseph G. Bilotta ..... Alternate Commissioner  
Katarina Sevastakis ..... Alternate Commissioner  
Bernard Rutkowski ..... Executive Director/Secretary/Treasurer  
Michael Lee ..... Chief Financial Officer/Assistant Treasurer  
Christina Diamante ..... Executive Assistant/Assistant Secretary  
Nicholas Otten, P.E. .... Authority Engineer



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, 2023. 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: sanitary sewer rehabilitations, sewer and manhole rehabilitation and on-call roadway restoration projects.

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 22, 2022 and adopted its operating budget on December 13, 2022.

### **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*

July 17, 2024  
Lakewood, New Jersey