

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

Oliwa & Company
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of The
Eatontown Sewerage Authority
Eatontown, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Eatontown Sewerage Authority, (the "Authority"), a component unit of the Borough of Eatontown, 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 financial position of The Eatontown Sewerage Authority as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinion

We conducted our audit 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 and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards and provisions 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 unmodified audit opinion.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

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 Borough'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 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 9 and 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Oliwa & Company

Freehold, New Jersey
October 4, 2024

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

To the Members of The
Eatontown Sewerage Authority
Eatontown, 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, the financial statements of The Eatontown Sewerage Authority, (the "Authority"), a component unit of the Borough of Eatontown, 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 October 4, 2024.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

We noted a certain other internal control matter that we have reported to the management of the Authority, in a separate letter dated October 4, 2024.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oliwa & Company

Freehold, New Jersey
October 4, 2024

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of two components:

- 1) proprietary fund financial statements
- 2) notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Proprietary fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's assets, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is changing.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (For example, goods and services received during the fiscal year for which payment has not been made by the end of the fiscal year). Similarly, revenues and expenses are not reported in this statement for some items that have resulted in cash flows for which the underlying event had not occurred by the end of the fiscal year.

The other required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Highlights

<u>Assets</u>	2023	2022	2023 Over (Under) 2022
Current assets	\$6,087,362	\$6,577,884	(\$490,522)
Capital assets	11,158,198	10,622,897	535,301
Deferred outflows of resources	487,343	591,605	(104,262)
<i>Total assets and deferred outflows of resources</i>	<u>\$17,732,903</u>	<u>\$17,792,386</u>	<u>(\$59,483)</u>
<u>Liabilities</u>			
Current liabilities	\$561,479	\$687,811	(\$126,332)
Long term liabilities	3,326,224	3,622,382	(296,158)
Deferred inflows of resources	336,169	507,437	336,169
<i>Total liabilities and deferred inflows of resources</i>	<u>\$4,223,872</u>	<u>\$4,817,630</u>	<u>(\$86,321)</u>
<u>Net Position</u>			
Capital assets - net	\$9,629,973	\$8,808,120	\$821,853
Restricted	185,393	185,218	175
Unrestricted	3,693,665	3,981,418	(287,753)
<i>Total net position</i>	<u>\$13,509,031</u>	<u>\$12,974,756</u>	<u>\$534,275</u>
<u>Revenues</u>			
Sewer service charges	\$3,259,240	\$3,182,401	\$76,839
Interest	276,640	70,770	205,870
Penalties and other	103,085	59,966	43,119
Connection fees	82,095	95,318	(13,223)
<i>Total revenues</i>	<u>\$3,721,060</u>	<u>\$3,408,455</u>	<u>\$312,605</u>
<u>Expenses/(Benefit)</u>			
Operating-			
Regional sewerage charges	\$1,829,209	\$1,815,374	\$13,835
Salaries and wages	418,260	390,604	27,656
Depreciation	292,055	281,751	10,304
Other operating	129,912	114,693	15,219
Insurance	110,874	125,019	(14,145)
Post-employment healthcare	108,941	88,741	20,200
Maintenance and repairs	64,731	124,118	(59,387)
Professional services	40,255	36,842	3,413
Payroll taxes	30,628	28,709	1,919
Pension	(40,479)	(84,296)	43,817
	<u>2,984,386</u>	<u>2,921,555</u>	<u>62,831</u>
Non-operating			
Municipal appropriation	178,091	176,176	1,915
Interest	24,308	28,689	(4,381)
	<u>202,399</u>	<u>204,865</u>	<u>(2,466)</u>
<i>Total expenses</i>	<u>\$3,186,785</u>	<u>\$3,126,420</u>	<u>\$60,365</u>

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

The following provides a summary analysis of capital assets at December 31, 2023 and 2022:

	2023	2022	2023 Over (Under) 2022
Capital assets	\$17,368,987	\$16,541,631	\$827,356
Less, accumulated depreciation	(6,210,789)	(5,918,734)	(292,055)
Net capital assets	<u>\$11,158,198</u>	<u>\$10,622,897</u>	<u>\$535,301</u>

Please refer to the notes to the financial statements for additional information relative to the Authority's capital assets.

Long-Term Debt

The following provides a summary analysis of long-term debt at December 31, 2023 and 2022:

	2023	2022	2023 (Under) Over 2022
New Jersey Environmental Infrastructure Trust Fund loan payable	\$753,528	\$922,359	(\$168,831)
New Jersey Environmental Infrastructure Trust loan payable	413,000	475,000	(62,000)
Bonds payable	300,000	345,000	(45,000)
Total long-term debt	<u>\$1,466,528</u>	<u>\$1,742,359</u>	<u>(\$275,831)</u>

Please refer to the notes to the financial statements for additional information relative to the Authority's long-term debt.

Financial Analysis

The Authority realized net income in 2023 and 2022 of \$534,275 and \$282,035, respectively. The Authority realized an increase in net income in 2023 due to realizing revenues in excess of prior year levels.

Major Increase and Decreases in Expenses

The major expense increase in 2023 was for salaries and wages (increased by \$27,656 from 2022).

The major expense decreases in 2023 were for repairs and maintenance (decreased by \$59,387 from 2022) and pension (decreased by \$43,817 from 2022).

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Budgetary Highlights

The Authority budgeted \$378,073 in unrestricted net position to balance the 2023 budget. The actual result was an excess in revenues of \$539,777 as follows:

Unrestricted net position anticipated	(\$378,073)
Add:	
Expenses under budget	594,881
Revenues over budget	501,060
	<u>717,868</u>
Less:	
Municipal Appropriation	<u>178,091</u>
Excess in revenues	<u><u>\$539,777</u></u>

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
Assets:		
Unrestricted current assets-		
Cash and cash equivalents	\$5,507,460	\$6,034,953
Customer accounts receivable, net	211,954	199,006
Customer interest receivable, net	12,730	12,146
Total unrestricted current assets	5,732,144	6,246,105
Restricted current assets-		
Cash and cash equivalents	355,218	331,779
Total current assets	6,087,362	6,577,884
Noncurrent assets-		
Construction in progress	98,010	201,816
Property, plant, and equipment, net	11,060,188	10,421,081
Total noncurrent assets	11,158,198	10,622,897
Total assets	17,245,560	17,200,781
Deferred outflows of resources-		
Pension and other post-employment benefits	487,343	591,605

(Continued)

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Liabilities:		
Current liabilities payable from unrestricted current assets-		
Accounts payable and accrued expenses	\$83,128	\$78,607
Prepaid revenue	32,695	186,812
Total current liabilities payable from unrestricted current assets	<u>115,823</u>	<u>265,419</u>
Current liabilities payable from restricted current assets-		
Loans payable	230,831	230,831
Bonds payable	45,000	45,000
Accrued interest payable	8,133	9,354
Developer deposits	161,692	137,207
Total current liabilities payable from restricted current assets	<u>445,656</u>	<u>422,392</u>
Total current liabilities	<u>561,479</u>	<u>687,811</u>
Noncurrent liabilities-		
Compensated Absences	34,665	77,810
Other post-employment benefits	1,409,668	1,364,081
Net pension liability	629,497	641,545
Bonds payable, net of unamortized premium	310,402	364,635
Loans payable, net of unamortized premium	941,992	1,174,311
Total noncurrent liabilities	<u>3,326,224</u>	<u>3,622,382</u>
Total liabilities	<u>3,887,703</u>	<u>4,310,193</u>
Deferred inflows of resources-		
Pension and other post-employment benefits	<u>336,169</u>	<u>507,437</u>
Net Position:		
Net investment in capital assets	9,629,973	8,808,120
Restricted	185,393	185,218
Unrestricted	<u>3,693,665</u>	<u>3,981,418</u>
Total Net Position	<u>\$13,509,031</u>	<u>\$12,974,756</u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services	\$3,259,240	\$3,182,401
Other operating revenues	<u>185,180</u>	<u>155,284</u>
Total operating revenues	<u>3,444,420</u>	<u>3,337,685</u>
Operating expenses:		
Regional sewerage charges	1,829,209	1,815,374
Salaries and wages	418,260	390,604
Depreciation	292,055	281,751
Insurance	110,874	125,019
Post-employment healthcare	108,941	88,741
Maintenance and repairs	64,731	124,118
Professional services	40,255	36,842
Electricity	34,125	31,926
Payroll taxes	30,628	28,709
Training, education, consultants and software	23,391	20,956
Office and telephone	23,255	18,882
Fuel and natural gas	20,045	21,418
Other	12,982	8,870
Plant supplies	8,574	5,101
Trustee and administrative fees and costs	7,540	7,540
Pension	<u>(40,479)</u>	<u>(84,296)</u>
Total operating expenses	<u>2,984,386</u>	<u>2,921,555</u>
Operating income	<u>460,034</u>	<u>416,130</u>
Non-operating (expenses) revenues:		
Interest income	276,640	70,770
Municipal appropriation	(178,091)	(176,176)
Interest expense	<u>(24,308)</u>	<u>(28,689)</u>
Net non-operating (expenses) revenues	<u>74,241</u>	<u>(134,095)</u>
Change in net position	534,275	282,035
Net position - beginning	<u>12,974,756</u>	<u>12,692,721</u>
Net position - ending	<u>\$13,509,031</u>	<u>\$12,974,756</u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$3,276,771	\$3,427,099
Cash payments for goods and services	(2,346,162)	(2,325,525)
Cash payments to employees	(418,260)	(390,604)
Net cash provided by operating activities	<u>512,349</u>	<u>710,970</u>
Cash flows from investing activities:		
Interest income	<u>276,640</u>	<u>70,770</u>
Cash flows from capital and related financing activities:		
Principal paid on loan maturities	(230,831)	(225,831)
Principal paid on bond maturities	(45,000)	(40,000)
Interest paid on loan	(19,000)	(21,278)
Interest paid on bonds	(17,250)	(19,250)
Developer deposits	24,485	71,792
Purchase of capital assets	(132,208)	(341,469)
Construction in progress payments	(695,148)	(88,161)
Municipal appropriation	(178,091)	(176,176)
Net cash used by financing activities	<u>(1,293,043)</u>	<u>(840,373)</u>
Net decrease in cash and cash equivalents	(504,054)	(58,633)
Cash and cash equivalents at beginning of year	<u>6,366,732</u>	<u>6,425,365</u>
Cash and cash equivalents at end of year	<u>\$5,862,678</u>	<u>\$6,366,732</u>
Reconciliation to statement of net position:		
Unrestricted	\$5,507,460	\$6,034,953
Restricted	<u>355,218</u>	<u>331,779</u>
	<u>\$5,862,678</u>	<u>\$6,366,732</u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$460,034	\$416,130
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	292,055	281,751
Decrease in deferred outflows - pension and OBEP deferrals	104,262	49,380
Decrease in deferred inflows - pension deferrals OBEP deferrals	(171,268)	(81,203)
Changes in assets and liabilities:		
Increase in customer accounts receivable	(12,948)	(55,322)
Increase in customer interest receivable	(584)	(10,346)
(Decrease) increase in prepaid revenue	(154,117)	155,082
Increase in accounts payable and accrued expenses	4,521	5,423
(Decrease) increase in net pension liability	(12,048)	153,419
Increase (decrease) in other post-employment benefits	45,587	(212,711)
(Decrease) increase in compensated absences	(43,145)	9,367
Net cash provided by operating activities	<u>\$512,349</u>	<u>\$710,970</u>
 Supplemental disclosure of cash flow information:		
 Non-cash capital and related financing activities:		
Amortization of bond and loan premiums	<u>\$10,722</u>	<u>\$10,722</u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

1. NATURE OF ORGANIZATION

The Eatontown Sewerage Authority (the “Authority”) is a public body corporate and politic of the State of New Jersey and was created by an ordinance of the Borough of Eatontown adopted February 9, 1955 pursuant to the Sewerage Authorities Law of the State of New Jersey. The Authority was created for the purpose of acquiring, constructing, maintaining, improving and operating facilities for collecting, and disposing of sewage or other wastes.

The Authority provides sanitary sewer service for the Borough of Eatontown and two small areas in the adjacent municipalities of Tinton Falls and Ocean Township. The Authority’s sewage is conveyed to and discharged into the system of the Two Rivers Water Reclamation Authority which owns and operates a regional treatment plant facility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENTS

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board (“GASB”) applicable to proprietary funds of state and local governments.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows the Authority considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

BUDGET LAW AND ACCOUNTING

The Authority submits its annual operating and capital budget to the State of New Jersey, Department of Community Affairs, Division of Local Government Services for review and certification. The annual budget may be amended by resolution of the Authority. The budgetary basis of accounting is utilized to determine if the Authority has sufficient cash to operate and pay debt service.

REVENUE RECOGNITION

The Authority recognizes revenue on the accrual basis as earned.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Depreciation of fixed assets is determined on a straight-line basis over various economic lives.

RESTRICTED ACCOUNTS

Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

NET POSITION PRESENTATION

The financial statements utilize a net position presentation. Net positions are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Net investment in capital assets, are capital assets, net of related debt of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds issued to buy, construct, or improve those assets.

Restricted net position result when creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation impose constraints placed on net position use.

Unrestricted net position represents net position of the Authority that does not meet the definition of the two preceding categories.

LONG-TERM OBLIGATIONS

Bonds and loans payable are reported at face value, net of applicable premiums. The current portion of bonds and loans payable represents principal payments to be made in the next year.

BOND AND LOAN PREMIUMS

Bond and loan premiums are presented as adjustments to the face amount of bonds and loans payable and are amortized into interest expense.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. The Authority reported deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. The Authority reported deferred inflows of resources related to pensions.

3. CAPITAL ASSETS

The Authority records assets based on historical costs and calculates depreciation on capital assets in accordance with GASB Statement No. 34. The Authority capitalizes all assets with a life expectancy of two years or more.

Capital asset activity of the Authority for 2023 and 2022 was as follows:

	Balance December 31, 2022	Additions	Transfers	Dispositions	Balance December 31, 2023
Construction in Progress	\$201,816	\$695,148	(\$798,954)	-	\$98,010
Property, plant, and equipment	16,339,815	132,208	798,954	-	17,270,977
	16,541,631	827,356	-	-	17,368,987
Less, accumulated depreciation	(5,918,734)	(292,055)	-	-	(6,210,789)
Capital assets, net	<u>\$10,622,897</u>	<u>\$535,301</u>	<u>-</u>	<u>-</u>	<u>\$11,158,198</u>

	Balance December 31, 2021	Additions	Transfers	Dispositions	Balance December 31, 2022
Construction in Progress	\$113,655	\$88,161	-	-	\$201,816
Property, plant, and equipment	15,998,346	341,469	-	-	16,339,815
	16,112,001	429,630	-	-	16,541,631
Less, accumulated depreciation	(5,636,983)	(281,751)	-	-	(5,918,734)
Capital assets, net	<u>\$10,475,018</u>	<u>\$147,879</u>	<u>-</u>	<u>-</u>	<u>\$10,622,897</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

4. CASH AND CASH EQUIVALENTS

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in 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 or of the 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 protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”) a supplemental insurance program set forth by the New Jersey Legislature to protect deposits of Authority’s. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance.

Cash includes change funds, cash in banks, savings and money market accounts or highly liquid securities with a maturity date of three months or less at the time of purchase which may be withdrawn at any time without prior notice or penalty. Cash equivalents are defined as short-term, highly liquid securities that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturities of three months or less meet this definition.

GUDPA requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits. GUDPA requires that the market value of the collateral must equal five percent of the average daily balance of public funds; or if the public funds deposited exceed seventy five percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred percent of the amount exceeding seventy five percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority’s formal policy regarding custodial credit risk is to deposit all of its funds in public depositories protected from loss under the provisions of GUDPA. Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. As of December 31, 2023 and 2022, the Authority’s bank balances were exposed to custodial credit risk as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
GUDPA Insured and Collateralized with Securities Held by Pledging Financial Institutions	<u>\$4,558,963</u>	<u>\$5,099,093</u>

In addition, as of December 31, 2023 and 2022, the Authority had \$808,802 and \$769,893, respectively, on deposit in the New Jersey Cash Management Fund (the “Fund”). The operations of this Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

5. COMPONENT UNIT STATUS OF THE AUTHORITY

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Since the governing body of the Borough appoints the members of the Authority, and the Authority can provide a financial benefit to or burden on the Borough, the Borough is considered financially accountable for the Authority.

6. LONG-TERM DEBT

On March 10, 2010, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust Financing Program to finance improvements to the Authority's collection system and pump stations. The Authority issued \$3,060,880 of Fund Loan Bonds at 0.00% interest and \$1,080,000 of Trust Loan Bonds at interest rates ranging from 3.00% to 5.00%.

At December 31, 2023 loans payable are summarized as follows:

Loans	Issued Amount	Interest Rate (%)	Matures	Amount Outstanding
New Jersey Environmental Infrastructure Trust Fund Loan	\$3,060,880	0.00	2024-2028	\$753,528
New Jersey Environmental Infrastructure Trust Loan	1,080,000	4.25-5.00	2024-2029	413,000
Add, unamortized premium				6,295
Total loans payable				<u>1,172,823</u>
Less, loans payable - current				<u>(230,831)</u>
Long-term loans payable				<u><u>\$941,992</u></u>

The following table summarizes debt service requirements for outstanding loans at December 31, 2023:

Year	Principal	Interest	Total
2024	\$230,831	\$16,520	\$247,351
2025	234,831	14,040	248,871
2026	234,831	11,400	246,231
2027	240,831	8,760	249,591
2028	149,204	5,880	155,084
2029	76,000	3,040	79,040
	<u>\$1,166,528</u>	<u>\$59,640</u>	<u>\$1,226,168</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

6. LONG-TERM DEBT (CONTINUED)

In December 2019, the Authority issued bonds in the amount of \$465,000 with the Monmouth County Improvement Authority. The interest rates range from 4.00% to 5.00%.

At December 31, 2023 bonds payable are summarized as follows:

Bonds	Issued Amount	Interest Rate (%)	Matures	Amount Outstanding
Monmouth County Improvement Authority Bonds	\$465,000	5.00%	2024-2029	\$300,000
Add, unamortized premium				55,402
Total bonds payable				<u>355,402</u>
Less, bonds payable - current				<u>(45,000)</u>
Long-term bonds payable				<u><u>\$310,402</u></u>

The following table summarizes debt service requirements for outstanding bonds at December 31, 2023:

Year	Principal	Interest	Total
2024	\$45,000	\$15,000	\$60,000
2025	45,000	12,750	57,750
2026	50,000	10,500	60,500
2027	50,000	8,000	58,000
2028	55,000	5,500	60,500
2029	55,000	2,750	57,750
	<u>\$300,000</u>	<u>\$54,500</u>	<u>\$354,500</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

6. LONG-TERM DEBT (CONTINUED)

Changes in Outstanding Long-Term Debt

Long-Term Debt transactions for the year ended December 31, 2023 and 2022 are summarized as follows:

	Balance December 31, 2022	Additions/ Adjustments	Reductions/ Adjustments	Balance December 31, 2023	Amounts due within one year
New Jersey Environmental Infrastructure Trust Fund loan payable	\$922,359		\$168,831	\$753,528	\$168,831
New Jersey Environmental Infrastructure Trust loan payable	475,000		62,000	413,000	62,000
Unamortized loan premium	7,782	\$1	1,488	6,295	-
Bonds payable	345,000		45,000	300,000	45,000
Unamortized bond premium	64,634	2	9,234	55,402	-
	<u>\$1,814,775</u>	<u>\$3</u>	<u>\$286,553</u>	<u>\$1,528,225</u>	<u>\$275,831</u>
	December 31, 2021	Additions/ Adjustments	Reductions	December 31, 2022	Amounts due within one year
New Jersey Environmental Infrastructure Trust Fund loan payable	\$1,091,191		\$168,832	\$922,359	\$168,831
New Jersey Environmental Infrastructure Trust loan payable	532,000		57,000	475,000	62,000
Unamortized premium	9,270		1,488	7,782	-
Bonds payable	385,000		40,000	345,000	45,000
Unamortized bond premium	73,868		9,234	64,634	-
	<u>\$2,091,329</u>	<u>-</u>	<u>\$276,554</u>	<u>\$1,814,775</u>	<u>\$275,831</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

7. PENSION PLAN

Description of System

The Authority contributes to the Public Employees' Retirement System ("PERS"), a cost-sharing multiple employer defined benefit pension plans administered by the Division of Pensions and Benefits in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying members and beneficiaries. PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. PERS issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program ("DCRP") is a cost-sharing multiple employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employee contributions to DCRP are five and one-half percent (5.50%) of base wages. Member contributions are matched by a three percent (3.00%) employer contribution. The Authority's contributions for December 31, 2023 and 2022 were \$813 and \$696, respectively.

Funding Policy

PERS employee contributions were 7.50% of base wages. The Division of Pensions actuarially determines employer's contributions annually.

Public Employees' Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$629,497 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Authority's proportion was 0.0043460393 percent, which was an increase of 0.000094972 percent from its proportion measured as of June 30, 2022.

At June 30, 2023 and 2022, the State recognized an actuarially determined pension benefit of \$41,292 and \$84,992, respectively, for the Authority's proportionate share of the total pension expense. The Authority's actual pension contributions by the Authority for December 31, 2023 and 2022 were \$53,608 and \$48,255, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

At June 30, 2023 and 2022, the State reported deferred inflows of resources and deferred outflows of resources related to PERS from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$2,573	\$6,019	\$4,083	\$4,630
Changes of assumptions	38,150	1,383	96,065	1,988
Net difference between projected and actual earnings on pension plan investments		2,899		26,553
Changes in proportion and differences between Authority contributions and proportionate share of contributions	98,114	109,522	188,688	149,321
	<u>\$138,837</u>	<u>\$119,823</u>	<u>\$288,836</u>	<u>\$182,492</u>

The Authority's proportionate share of deferred inflows of resources and deferred outflows of resources related to PERS, in the amount of \$19,014, will be amortized in pension expense in future years.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. These actuarial valuations used the following actuarial assumptions:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Inflation Rate		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases	2.75% - 6.55%	2.75% - 6.55%
Investment Rate of Return	7.00%	7.00%

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 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 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 and June 30, 2022 are summarized in the following table:

Asset Class	June 30, 2023		June 30, 2022	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.98%	27.00%	8.12%
Non-U.S. Developed				
Market Equity	12.75%	9.22%	13.50%	8.38%
International Small Cap				
Equity	1.25%	9.22%		
Emerging Markets Equity	5.50%	11.13%	5.50%	10.33%
Private Equity	13.00%	12.50%	13.00%	11.80%
Real Estate	8.00%	8.58%	8.00%	11.19%
Real Assets	3.00%	8.40%	3.00%	7.60%
High Yield	4.50%	6.97%	4.00%	4.95%
Private Credit	8.00%	9.20%	8.00%	8.10%
Investment Grade Credit	7.00%	5.19%	7.00%	3.38%
Cash Equivalents	2.00%	3.31%	4.00%	1.75%
U.S. Treasuries	4.00%	3.31%	4.00%	1.75%
Risk Mitigation Strategies	3.00%	6.21%	3.00%	4.91%
	<u>100.00%</u>		<u>100.00%</u>	

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on 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 collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2023 and 2022, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2023		
	1% Decrease 6.00%	At Current Discount Rate 7.00%	1% Increase 8.00%
	Authority's proportionate share of the pension liability	\$819,471	\$629,497
	June 30, 2022		
	1% Decrease 6.00%	At Current Discount Rate 7.00%	1% Increase 8.00%
Authority's proportionate share of the pension liability	\$824,197	\$641,545	\$486,100

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

8. POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Authority has an agent multiple-employer defined benefit healthcare plan (the “Plan”) with Central Jersey Health Insurance Fund (the “Fund”). The Authority provides medical and prescription benefits to retirees and their spouses that meet certain eligibility requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement 75.

Summary of Benefits

The Plan provides retirees and their dependents medical and prescription benefits provided that they meet the eligibility requirements.

Employees Covered by Benefit Terms

Inactive employees and beneficiaries currently receiving benefits	4
Active employees	<u>6</u>
	<u>10</u>

Contributions

The contribution requirements of the Authority and Plan members are established and may be amended by the Authority's governing body. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postemployment medical and prescription coverage who have less than 20 years credible service on June 28, 2011 will be required to pay a percentage of the cost of their health insurance coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible, will be determined based on the retiree’s annual retirement benefit and level of insurance coverage.

Net Other Postemployment Benefits (OPEB) Liability

As of December 31, 2023, the Authority’s OPEB liability was \$1,409,688, and was calculated based on an actuarial valuation as of December 31, 2022, as adjusted by benefits paid in 2023 by the Authority.

Actuarial Assumptions

The OPEB liability in the December 31, 2022 actuarial valuation was determined using the following economic actuarial assumptions, an inflation rate of 2.50%, salary increases of 2.50% and various healthcare cost trend rates of 5.30% decreasing to an ultimate rate of 4.50% in 2026. Mortality rates were based on the PUB 2010 general classification headcount weighted mortality with generational improvement using Scale MP-2021.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

8. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Discount Rate

The discount rate under GASB 75 should be the single rate that reflects (a) the long-term expected rate of return on plan investments that are expected to be used to finance the benefit payments, to the extent that the plan's fiduciary net position is projected to be significant to make projected benefit payments and the assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or an equivalent quality of another scale) to the extent that the conditions in (a) are not met. A discount rate of 3.72% was used for determining the total OPEB liability at December 31, 2023. The discount rate used was based on the Bond Buyer 20 Index at December 31, 2022.

Changes in the Total OPEB Liability

Balance January 1, 2023	\$1,364,081
Changes for the year:	
Service Cost	31,585
Interest Cost	32,750
Difference between Expected and Actual Experience	25,779
Changes in Assumptions	(5,455)
Benefits Paid	<u>(39,072)</u>
Balance December 31, 2023	<u><u>\$1,409,668</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2023 and the preceding two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2023	\$84,659	46.15%	\$1,409,668
12/31/2022	84,659	43.91%	1,364,081
12/31/2021	97,068	39.02%	1,576,792

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

8. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

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 or 1 percentage point higher than the current discount rate:

	December 31, 2023		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	2.72%	3.72%	4.72%
Net OPEB Liability	\$1,537,223	\$1,409,668	\$1,305,732

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if they were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	December 31, 2023		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Net OPEB Liability	\$1,334,026	\$1,409,668	\$1,508,871

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

For the year ended December 31, 2023, the actuarially determined OPEB expense was \$84,659. At December 31, 2023, the deferred inflows of resources and deferred outflows of resources related to OPEB were from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$40,034	\$265,911
Changes of assumptions	157,298	101,609
	\$197,332	\$367,520

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2023 AND 2022

8. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Expense and Deferred Inflows of Resources and Deferred Outflows of Resources
(continued)

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$20,324
2025	20,324
2026	20,324
2027	20,324
2028	20,324
Thereafter	68,568
	<u>\$170,188</u>

9. COMPENSATED ABSENCES

The Authority permits its employees to accumulate unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The unused sick pay accumulates indefinitely and after fifteen years of service employees will be paid for one-half of their total accumulated unused sick pay, not to exceed 100 days and not to exceed the maximum allowed by the State at the time the employee resigns or retires. The estimated current costs of such unpaid sick pay at December 31, 2023 and 2022 were \$34,665 and \$77,810, respectively.

10. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions occurring from December 31, 2023 and through October 4, 2024, which is the date the financial statements were available to be issued.

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2023

	ORIGINAL BUDGET	ACTUAL
<u>Revenues</u>		
Sewer service charges	\$3,150,000	\$3,259,240
Connection fees	35,000	82,095
Penalties and other	31,000	54,281
Interest income	4,000	276,640
Application fees	-	48,804
Total revenues	<u>\$3,220,000</u>	<u>\$3,721,060</u>
 <u>Expenditures/(Benefit)</u>		
Administration		
Salaries and wages	\$205,000	\$176,757
Legal	20,000	10,713
Payroll taxes	18,963	14,932
Pension	25,967	(18,441)
Accounting	4,000	700
Computer consultant and software	20,160	21,157
Auditing	20,000	14,223
Trustee and administrative fees	7,740	7,540
Employee training	7,200	2,234
Insurance - general	1,600	1,631
Insurance - health	66,613	45,567
Engineer	25,000	14,619
Office supplies and postage	31,100	10,200
Telephone	2,300	2,142
Advertising fees	2,000	2,964
Miscellaneous	7,000	2,315
Office Rent	5,000	-
Employee consultant	1,000	-
Post-employment healthcare	44,220	49,023
	<u>514,863</u>	<u>358,276</u>

See Independent Auditor's Report

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (BUDGETARY BASIS) - CONTINUED
YEAR ENDED DECEMBER 31, 2023

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>
<u>Expenditures/(Benefit) (continued)</u>		
Cost of Providing Services		
Salaries and wages	\$245,000	\$241,503
Payroll taxes	13,038	15,696
Insurance - general	30,400	30,982
Insurance - health	79,610	32,694
Telephone	10,500	10,913
Electricity	39,000	34,125
Fuel	9,000	7,542
Natural gas	13,000	12,503
Plant supplies	6,000	8,574
Water	1,800	1,559
Miscellaneous	14,400	6,144
Repairs and maintenance	125,500	64,731
Regional sewerage charges	2,100,000	1,829,209
Post-employment healthcare	52,848	59,918
Pension	31,033	(22,038)
	<u>2,771,129</u>	<u>2,334,055</u>
 Total administration and cost of of providing services	 <u>3,285,992</u>	 <u>2,692,331</u>
 Principal payments on debt service in lieu of depreciation	 <u>275,831</u>	 <u>275,831</u>
 Interest payments on debt	 <u>36,250</u>	 <u>35,030</u>
 Municipal Appropriation	 <u>178,091</u>	 <u>178,091</u>
 Total expenditures	 3,776,164	 3,181,283
 Unrestricted net position utilized		
Other	(378,073)	539,777
Municipal Appropriation	(178,091)	(178,091)
	<u>(556,164)</u>	<u>361,686</u>
 Net Total Appropriations	 <u><u>\$3,220,000</u></u>	 <u><u>\$3,542,969</u></u>

See Independent Auditor's Report

THE EATONTOWN SEWERAGE AUTHORITY
 A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
 SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED TO BUDGET (BUDGETARY BASIS) - CONTINUED
 YEAR ENDED DECEMBER 31, 2023

Reconciliation to Statement of Revenues, Expenses, and Changes in Net Position

Excess in Revenues	\$539,777
Add back:	
Principal payments on debt service in lieu of depreciation	275,831
Amortization of bond and loan premiums	10,722
Deduct:	
Depreciation	(292,055)
Change in net position	\$534,275
 Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position	 \$534,275

See Independent Auditor's Report

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2023

This section identifies the current year financial statement findings that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

There were no current year audit findings.

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2023

This section identifies the status of prior year financial statement findings that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

There were no prior year audit findings.