

Bayshore Regional Sewerage Authority

Audit Report

December 31, 2023 and 2022

Bart & Bart
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To Chairperson and Members
Bayshore Regional Sewerage Authority
Union Beach, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Bayshore Regional Sewerage Authority (the "Authority"), which comprise the statements of net position as of December 31, 2023 and 2022, and the statements of revenues and expenses, and cash flows for the years then ended 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 accompanying 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 ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), and the audit requirements as prescribed 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 Auditors' 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.

Management's Responsibility for the Financial Statements

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

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 doubt shortly thereafter.

To Chairperson and Members
Bayshore Regional Sewerage Authority

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and requirements prescribed 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and requirements prescribed 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 judgement, 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.

To Chairperson and Members
Bayshore Regional Sewerage Authority

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net OPEB liability, schedule of the Authority's OPEB contributions, schedule of the Authority's proportionate share of net pension liability-PERS and schedule of the Authority's contributions – PERS, as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental information, on pages 34 through 39, and the other information such as the roster of officials and general comments and recommendations are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than present the financial position, changes in financial position and cash flows of individual Divisions.

The supplementary information identified above 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 34 through 39 is fairly stated in all material respects in relation to the basic financial statements as a whole.

To Chairperson and Members
Bayshore Regional Sewerage Authority

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials and general comments and recommendations but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion of any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


Bart & Bart, CPAs

Woodbridge, NJ
October 21, 2024

BART & BART *Certified Public Accountants*

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Independent Auditors 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 Chairperson and Members
Bayshore Regional Sewerage Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; Audit requirements as prescribed by the Division of Local Government Services, State of New Jersey and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements and fund information of Bayshore Regional Sewerage Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon October 21, 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 of 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.

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial
Statements
Performed in Accordance with Government Auditing Standards

To The Chairperson and Members
Bayshore Regional Sewerage Authority

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

This 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.


Bart & Bart, CPAs

Woodbridge, NJ
October 21, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section presents management's analysis of the Authority's financial condition and activities of the Authority for the calendar year ended on December 31, 2023. This information should be read in conjunction with the basic financial statements and accompanying notes to the basic financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for Local Governments*. Certain comparative information between the current fiscal year and the prior two fiscal years is presented in the MD&A as required by GASB Statement No. 34.

Summary of the Bayshore Regional Sewerage Authority and its business practices

The Bayshore Regional Sewerage Authority is a public body corporate and politic of the State of New Jersey and was created pursuant to parallel ordinances adopted by the governing bodies of the member municipalities of Union Beach, Hazlet and Holmdel in September of 1968. The Authority was created pursuant to the Sewerage Authorities Law of the State of New Jersey (Laws of 1946, Chapter 138 (as amended and supplemented)). The Authority has the statutory power to acquire, construct, maintain, operate or improve works for the collection, treatment, purification or disposal of sewage or other wastes for the relief of waters in, bordering or entering the areas from pollution or threatened pollution. Subsequent to, and at different dates, the Authority contracted with the municipalities of Aberdeen, Matawan, Keansburg, Keyport and the Western Monmouth Utilities Authority (for the section of Marlboro know as Morganville) to provide this same service. Service Agreements are in place between the Authority and the aforementioned municipalities with an expiration date of 2042.

Pursuant to the provisions of the Act, the Authority consists of six-(6) commissioners, two from each municipality of Hazlet, Holmdel and Union Beach. The commissioners preside over the monthly governing body board meeting on the third Monday of each month. The Commissioners have appointed an Executive Director to exercise full authority, management and control of the day-to-day operations of the Authority.

Operations and Maintenance costs are funded from user fees and other charges. The acquisition and construction of capital assets are funded through Operating Revenues, Reserve Funds, Federal and State Grants, Wastewater Revenue Bonds and the New Jersey Infrastructure Bank (formerly known as the New Jersey Environmental Infrastructure Trust).

Our Mission

The "Mission" of the Bayshore Regional Sewerage Authority is focused on protection of the environment. In the early part of 2006, the staff consolidated the mission in the following statement: *"Dedicated to a Clean Environment for Today, Tomorrow, and Generations to Come"*. The Authority employees believe that small continual improvement each year leads to major improvement over time. It is in this spirit that we strive for a minor improvement each year, and it is within this culture that we have achieved substantial results. The Authority accomplishes this by maintaining a well operated, clean, safe facility at 100 Oak Street in Union Beach, NJ. The facility operates well within the limits set by State and Federal permits. Improvements are aimed at lowering the cost of business while prolonging function. Key indicators of performance include the trends in effluent quality of the wastewater being processed as well as operating, capital and debt service expenditures and net position.

Water quality

Two of the best indicators of facility performance are the concentration of solids in the discharge from the facility as well as the concentration of organics in this discharge. Figures 1 and 2 below illustrate these measures and compare the operating results with State of New Jersey limits.

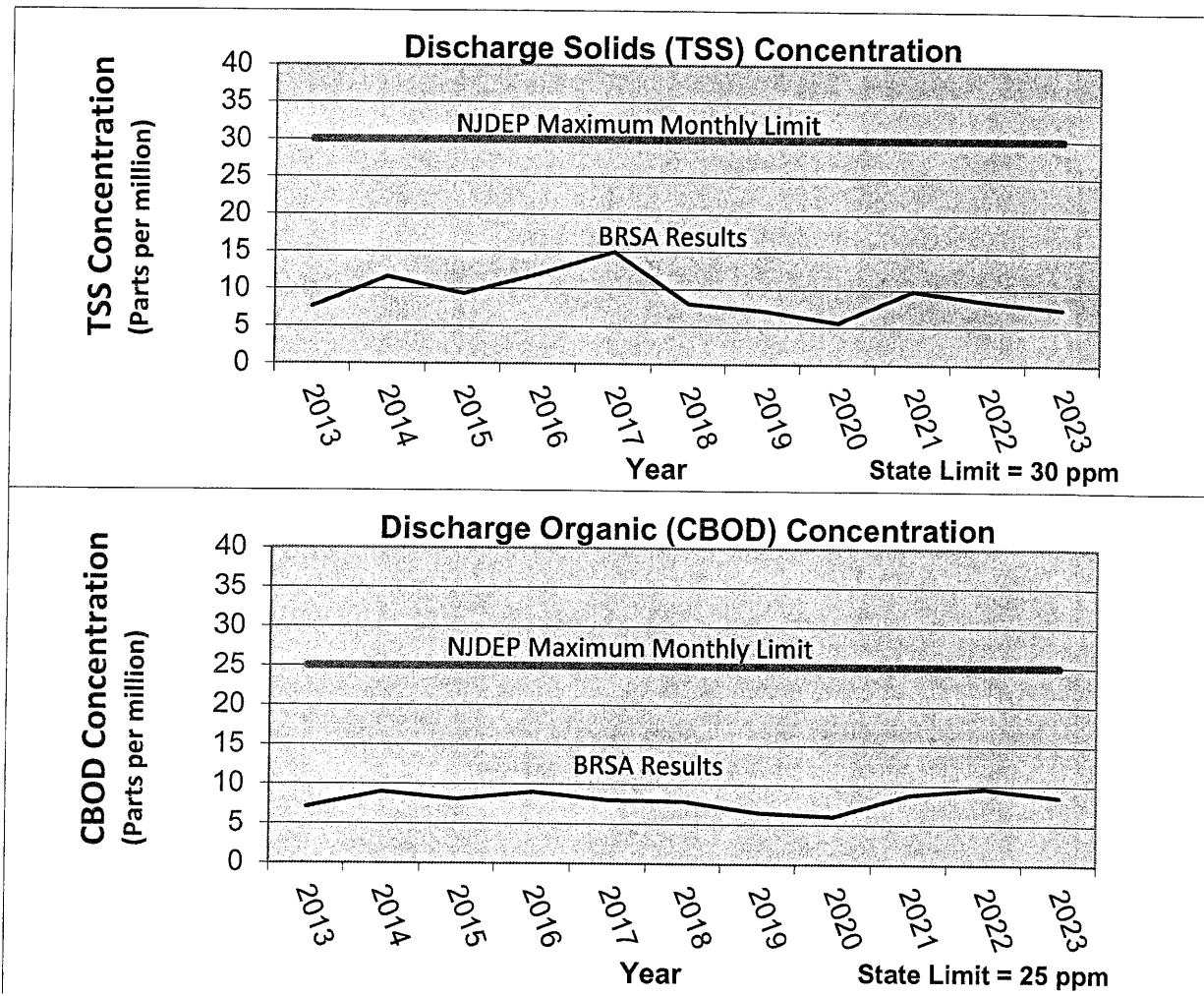


Figure 1. Effluent total suspended solids (TSS) per liter of water discharged from 2013 to 2023. State requires value to be 30 mg/l or lower. Effluent carbonaceous biological oxygen demand (CBOD) per liter of water discharged from 2013 to 2023. State requires values to be 25 mg/l or lower.

Operating expenditures

The Authority Operating budget provides for administration and cost of providing service expenses associated with a 16 million gallon per day treatment plant, regional interceptor collection system, pump stations, and meter chambers and provides an anticipated reserve.

The treatment system is comprised of a main pump station where the residential, commercial and industrial waste is removed of its larger solid material (screenings) before being pumped to a higher elevation for the removal of grit. Subsequent to grit removal the wastewater is conveyed by gravity to one of two separate treatment trains each with similar process units. The process units consist of primary sedimentation and floatation, biological reactors, secondary sedimentation and finally disinfection. The solids removed in the process units (primary sedimentation) and a portion created in the biological reactors are conveyed to a separate solid handling process for ultimate disposal. The water leaving the disinfection chambers is

conveyed to the Monmouth County Bayshore Outfall Authority, a separate entity, for conveyance and ultimate discharge to the Atlantic Ocean via a 14-mile outfall pipe. The discharge of cleaned water from the Authority is regulated under the New Jersey Pollutant Discharge Elimination System Permit No. NJ 0024708. The chart in figure 2 illustrates the Authority effort to maintain a stable operating expense over the past ten-(10) years.

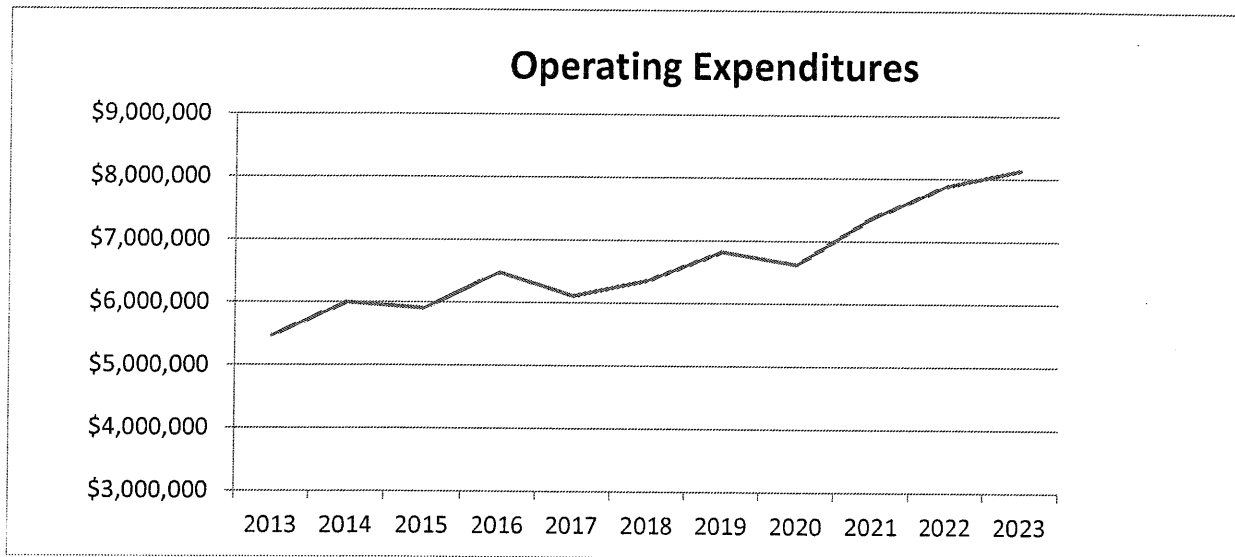


Figure 2. Graph of annual operating expenses 2012 to 2022

Capital Expenditures

In 2023 the Authority focused its Capital Budget on improvements and upgrades to the plant infrastructure, Dorr Oliver Incineration Rehab, Power Resiliency & Distribution Project and interceptor collection system, force mains & pump stations. Capital funding is derived primarily from unrestricted net position generated during the year as well as low interest loans from the New Jersey Infrastructure Bank (NJIB).

Net Position

The Authority's financial condition remained strong at year end, as depicted by the financial data which follows. Total Assets and deferred outflows of resources were \$113,289,964, total liabilities and Deferred Inflow of Resources totaled \$34,171,003. Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. In the past this measure has been called net assets, fund balance and equity. The net position of the Authority is an indication of overall financial health and is the accumulated results of all the individuals years of operating. For calendar year ending 2023 the net position of the Authority was \$79,118,961. The change in net position for the Authority in 2023 was an increase of \$1,608,889.

Net Position Bayshore Regional Sewerage Authority - calendar year ended December 31.

2023	2022	2021
\$ 79,118,961	\$77,510,072	\$75,770,095

Internal Controls

The Authority has instituted a multi-layered internal control over spending which originates in a formal requisitioning system. All purchasing is handled by our State Qualified Purchasing Agent who follows NJ local public contract laws for procurement and attends ongoing annual training. All operational purchasing requests are made by the requisitioning department. Purchasing requests are authorized first by the Director of Operations and/or Plant Superintendent and sent to the Executive Director for his approval prior to

purchase. Signed certifications are received from the claimant (vendor) as well as the requisitioning department upon receipt of goods or services. Upon receipt of goods or services with certifications, a completed payment voucher is submitted to the Executive Director for review and approval before being submitted to the Authority Treasurer for final authorization. Subsequent to the final authorization, the claim for payment is presented to the entire Board of Commissioners at a monthly open public meeting. A formal approval of the claim is required before the authority releases payment to the vendor. Payment to the vendor follows within three-(3) days. The system reduces the risk of error, provides for full disclosure of all payments, involves the authority executive staff and provides payment to the vendor in a reasonable and acceptable time frame. The purchasing policy is memorialized in writing annually.

The payment of claims related to Superstorm Sandy involves even greater scrutiny and includes a review and approval by the New Jersey Infrastructure Bank (NJIB) and their contracted Integrity Monitors as well as the NJ Office of Emergency Management prior to FEMA reimbursement.

All Procurement is in accordance with Authority, State and Federal Regulations.

Synopsis of General Authority Financial Procedures

The Authority has adopted and follows a cash management plan:

Internal transfer of funds from one account to another is accomplished via a fund transfer request form produced by the Financial Administrative in charge of Finances and approved by the Executive Director. Electronic payments are permitted only after Board approval and follow a double entry and certification process. All Operating checks require 3 signatures and payroll checks require 2 signatures. The Authority does not use signature stamps. All depositories, investments and accounts are approved by resolution of the governing body. The responsibility of the petty cash fund is vested in 2 individuals. All bank statements are reconciled monthly and sequence of check numbers accounted for. Outstanding checks older than 6 months are investigated. All investments are issued in the name of the Authority and GUDPA protected. There is a separation of duties between accounts receivable and billing with each process performed by separate individuals. Inventories and supplies are under the physical control of a designated employee. Prenumbered purchase orders are issued for all purchases and vouchers approving payment contain the signature of the person who verified quantities and services rendered. All vouchers are approved by the governing body. Payroll is approved by a responsible official outside of the payroll department and all employees are paid by check or ACH Direct deposit. Records are maintained to control and verify vacation, sick and benefit time. New employees, employee promotions and rates of pay are approved by the governing body. Detailed fixed asset records are maintained and the Authority has an Asset Management Program for the identification of equipment, its age, condition, life cycle costs, replacement costs and risk management. The Authority budget is introduced and adopted by resolution of the governing body and the Authority Treatment charges are presented at a public hearing. The Authority Operating and Capital Budgets are approved and certified by the Division of Local Government Services at the Department of Community Affairs.

Overview of Certain Financial Reports

Comparative Statement of Net Position

“The Comparative Statement of Net Position” presents information on the Authority’s assets and liabilities. Among other things the statement provides the value of the authority’s plant property and equipment from the creation of the authority to present. The net position of the Authority was impacted by the implementation of GASB 75, which is explained in the accompanying note #6 of the Audit. The Authority’s Net Position increased in 2023 from \$77,510,072 to \$79,118,961. The increase is mainly the result of adjustments arising from GASB 68 and 75 related accruals, as well as higher than budgeted connection fees and investment income.

Comparative Statement of Revenues, Expenses and Changes in Net Position

The Comparative Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities over the past year including payroll and benefits, plant materials and supplies purchased, net income and changes in net position. The Authority's net income in 2023 is \$1,608,889. The net income is primarily the result of several multiuse redevelopment projects underway in the Bayshore area of N.J. and of operating income which includes an anticipated reserve. Reserve is one of the main sources of capital improvements and asset management funding, both of which are key components in providing rate stability and treatment plant optimal performance. Figure 3 below compares this schedule for the years 2021-2022 and provides the Authority with key financial indicators.

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

The Schedule of operating revenues and costs funded by operating revenues compared to budget reviews the authority line-item budget to actual expenditures and compares to the same line item from the prior year. Total Costs funded by Operating Revenues for 2023 was \$12,087,055 as compared to \$10,694,405 for 2022 with the increase due mainly to increased capital outlays funded by operations, increased costs for health insurance mainly due to increased accruals related to GASB 68 & 75, as well as increased utilities and chemicals cost. Revenues from Treatment charges were slightly higher in 2023 as compared to 2022.

Health insurance costs were significantly higher in 2023 because of the adjustments resulting from GASB 75 accruals. Pension liabilities increased in 2023 as well. Plant electrical costs were higher in 2023 due to increases in rates. The Authority is part of an energy aggregate group which purchases power at a lower rate due to the aggregate size. In 2023 expenditures for incinerator fuel oil decreased slightly because of lower fuel oil unit costs. The use and cost of natural gas decreased as well. The Ash removal expense was also lower in 2023.

In 2023 the Authority completed over \$5,134,000 in capital improvements for the Dorr Oliver Incinerator Rehabilitation, Grit Facility Improvements, plant fire alarm system, Power Resiliency & Distribution Projects and interceptor collection system, force mains & pump stations improvements. Most other operational expenditures were in line with prior year.

Revenues, Expenses and Changes in Net Position Authority 3-Year Statement			
	2023	2022	2021
Operating Revenues	\$10,144,477	\$9,685,537	\$9,504,693
Operating Expenses	\$ 8,144,590	\$7,198,943	\$6,168,231
Depreciation	<u>\$ 3,153,913</u>	<u>\$2,669,811</u>	<u>\$2,962,904</u>
Total Operating Expenses	\$ 11,298,503	\$9,868,754	\$9,131,135
Operating Income	\$(1,154,026)	\$(183,217)	\$373,558
Non-Operating Revenue/ (Expenses)			
Investment Income	\$1,033,815	\$ 236,720	\$ 81,427
Misc. Income (connections and sundry)	\$1,847,512	\$1,816,386	\$1,704,280
Superstorm Sandy Expense			
Interest lbank	<u>-\$ 118,412</u>	<u>-\$129,912</u>	<u>-\$149,347</u>
Total Non-Operating Revenues/ (Expenses)	\$2,762,915	\$1,923,194	\$1,636,360
Net Income before transfer of depreciation of assets purchased with contributed capital	\$1,608,889	\$1,739,977	\$2,009,918
Transfer of Depreciation	<u>\$ 382,340</u>	<u>\$ 382,340</u>	<u>\$ 382,340</u>
Net Income	\$1,991,729	\$2,122,317	\$2,392,258
Net Position, January 1	\$73,994,851	\$71,872,534	\$69,480,276
Net Position, December 31	\$75,986,080	\$73,994,851	\$71,872,534

Contributed Capital-Net-January 1	\$3,515,221	\$ 3,897,561	\$4,279,901
Transfer of depreciation from Operations	-\$382,340	-\$382,340	-\$382,340
Contributed Capital-Net-December 31	\$3,132,881	\$3,515,221	\$3,897,561
Net Position End of Year	\$79,118,961	\$77,510,072	\$75,770,095

Figure 3. Revenues, Expenses and Changes in Net Position – 3 Year schedule

Ongoing Response to Hurricane Sandy

On October 29, 2012 Hurricane Sandy flooded the Borough of Union Beach, NJ where the Bayshore Regional Sewerage Authority is located. The Authority suffered significant damage to its processes. The authority has received funding from three separate insurance policies as well as the Federal Emergency Management Agency, FEMA. FEMA has obligated in excess of \$50,000,000 towards the restoration and mitigation of the Authority processes. FEMA share of the funding to restore and mitigate damage has been established at 90% of cost, leaving 10% cost share for the Authority.

The State Treasury Department assigns Integrity Oversight Monitors to any Federally Funded FEMA Project with a value exceeding \$10,000,000. As a result, Addex Corp., an Integrity Monitoring firm has been assigned to oversee the NIRO Incineration project. The Integrity Monitor concluded the oversight of the NIRO project in 2017 without incident. The last FEMA funded Sandy project, Power Resiliency Generation (Project Fund #3), which has begun construction in 2024 and estimated to be approximately \$28M.

As of December 31, 2023, the Authority has received in excess of \$35,000,000 from FEMA for costs associated with the restoration, and mitigation of Authority buildings and processes damaged by Superstorm Sandy. The Authority is seeking final project fund 1 & 2 reimbursements for Project Worksheets (PW's) and is in the closeout process for those PW's, which should be completed late in 2024.

AUTHORITY CONTACT INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Peter J. Canal, Executive Director, at the Bayshore Regional Sewerage Authority, 100 Oak Street, Union Beach, NJ 07735.

Bayshore Regional Sewerage Authority
Comparative Statement of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 7,313,222	\$ 10,930,233
Inventory	517,026	573,213
Prepaid Expenses	55,938	162,166
FEMA Claims Receivable	1,617,205	1,617,205
Investments	<u>2,167,732</u>	<u>2,118,000</u>
Total Unrestricted Assets	\$ 11,671,123	\$ 15,400,817
Restricted Assets:		
Capital Outlay Fund	7,817,823	7,441,733
Construction Funds	5,397,509	5,183,432
Debt Service Funds	842,496	105,023
Customer Escrow Deposits	2,896,703	2,758,715
Investments	<u>3,288,795</u>	<u>3,126,699</u>
Total Restricted Assets	<u>20,243,326</u>	<u>18,615,602</u>
Plant, Property and Equipment	167,323,792	161,653,601
Less: Accumulated Depreciation	<u>91,309,477</u>	<u>88,155,564</u>
Net Plant, Property and Equipment	<u>76,014,315</u>	<u>73,498,037</u>
TOTAL ASSETS	107,928,764	107,514,456
Deferred Outflow of Resources:		
Deferred Amount of Net Pension Liability	697,881	559,479
Deferred Amount of Net OPEB Liability	<u>4,663,319</u>	<u>2,470,356</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 113,289,964</u>	<u>\$ 110,544,291</u>

See accompanying notes

Bayshore Regional Sewerage Authority
Comparative Statement of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities -		
Payable from Unrestricted Assets:		
Accounts Payable - Operating	\$ 447,488	\$ 673,353
Accounts Payable - Retainage	53,070	16,496
Payroll Deductions Payable	28,927	17,465
Accrual for Unused Leave and Vacation Time	155,187	165,022
Unearned Revenue	121,786	-
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	806,458	872,336
Current Liabilities -		
Payable from Restricted Assets:		
Escrow Deposits Payable	2,896,703	2,758,715
Bonds Payable - I - Bank 2018 Series	545,902	535,902
I - Bank 2019 Series	169,837	169,837
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	3,612,442	3,464,454
Long Term Liabilities -		
Payable from restricted assets:		
Bonds payable - I - Bank - 2018 Series	7,651,822	8,197,629
I - Bank - 2019 Series	2,567,722	2,737,559
Net Pension Liability	5,141,929	4,884,178
Net OPEB Liability	8,718,799	7,447,547
	<hr/>	<hr/>
	<u>\$ 28,499,172</u>	<u>\$ 27,603,703</u>

See accompanying notes

Bayshore Regional Sewerage Authority
Comparative Statement of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES AND NET POSITION</u>		
Deferred Inflow of Resources		
Deferred Amount on Net Pension Liability	\$ 346,687	\$ 846,216
Deferred Amount of Net OPEB Liability	<u>5,325,144</u>	<u>4,584,300</u>
Total Liabilities and Deferred Inflow of Resources	34,171,003	33,034,219
<u>NET POSITION</u>		
Restricted for:		
Contributed capital, net	3,132,881	3,515,221
Construction	5,397,509	5,183,432
Debt Service	842,496	104,023
Future Capital Outlays	7,817,823	7,441,733
Emergency Response	<u>3,263,196</u>	<u>3,126,699</u>
Total Restricted	20,453,905	19,371,108
Unrestricted	<u>58,665,056</u>	<u>58,138,964</u>
Total Net Position	<u>79,118,961</u>	<u>77,510,072</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 113,289,964</u>	<u>\$ 110,544,291</u>

See accompanying notes

Bayshore Regional Sewerage Authority
Comparative Statement of Revenues, Expenses and Changes in Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Treatment Charges	\$ 10,144,477	\$ 9,685,537
Operating Expenses:		
Payroll and Employee Benefits	4,338,851	3,763,660
Plant Materials and Supplies	3,324,344	2,943,475
Administrative and General	481,395	491,808
Depreciation	3,153,913	2,669,811
Total Operating Expenses	<u>11,298,503</u>	<u>9,868,754</u>
Operating Income (Loss)	<u>(1,154,026)</u>	<u>(183,217)</u>
Non-Operating Revenue (Expenses)		
Interest Income on Investments	1,033,815	236,720
Connection Fees	1,827,259	1,782,367
Miscellaneous Income	20,253	34,019
Interest	<u>(118,412)</u>	<u>(129,912)</u>
	<u>2,762,915</u>	<u>1,923,194</u>
Net Income (Before Transfer of Depreciation of Assets Purchased with Contributed Capital	1,608,889	1,739,977
Transfer of Depreciation to Contributed Capital	<u>382,340</u>	<u>1,739,977</u>
Net Income	1,991,229	2,122,317
Net Position, January 1st	73,994,851	71,872,534
Net Position, December 31st	<u>75,986,080</u>	<u>73,994,851</u>
Contributed Capital - Net, January 1st	3,515,221	3,897,561
Transfer of Depreciation from Operations	<u>(382,340)</u>	<u>(382,340)</u>
Contributed Capital - Net, December 31st	<u>3,132,881</u>	<u>3,515,221</u>
Net Position, End of Year	<u>\$ 79,118,961</u>	<u>\$ 77,510,072</u>

See accompanying notes

Bayshore Regional Sewerage Authority
Comparative Statement of Cash Flows
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Provided by (Used for) Operations		
Change in Net Position	\$ 1,608,899	\$ 1,739,977
Adjustments to Reconcile Net Income to: Net Cash:		
Depreciation	3,153,913	2,669,811
Prepaid Expenses	106,228	100,067
Inventory	56,187	(6,520)
Current Liabilities Payable from Unrestricted Assets	(65,878)	(13,697)
Current Liabilities Payable from Restricted Assets	147,988	106,987
Deferred Amounts on Net Pension and OPEB Liability	(1,900,361)	(937,644)
Net Pension and OPEB Liability	<u>1,529,003</u>	<u>157,670</u>
Net Cash Provided by Operations	4,635,979	3,816,651
Cash Flows Used for Investing Activities:		
Investments	(186,129)	(11,984)
Restricted Assets	(1,415,996)	822,422
Plant, Property and Equipment	<u>(5,670,191)</u>	<u>(2,807,092)</u>
Net Cash Used for Investing Activities	(7,272,316)	(2,807,092)
Cash Flows Provided by (Used for) Financing Activities:		
Bonds Payable	<u>(705,664)</u>	<u>(695,739)</u>
Net Cash Used For Financing Activities	(705,664)	(695,739)
Net Change in Cash and Cash Equivalents	(3,340,921)	1,124,258
Cash and Cash Equivalents:		
Beginning of Period	<u>18,371,966</u>	<u>17,247,708</u>
End of Period	<u>\$ 14,325,381</u>	<u>\$ 18,371,966</u>
Summary of Cash and Cash Equivalents, End of Year		
Unrestricted Cash and Cash Equivalents	\$ 7,313,222	\$ 10,930,233
Restricted Cash and Cash Equivalents	<u>7,817,823</u>	<u>7,441,733</u>
	<u>\$ 15,131,045</u>	<u>\$ 18,371,966</u>

See accompanying notes

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies

A. General

The Bayshore Regional Sewerage Authority (Authority) is a public body politic and corporate constituting a political subdivision of the State of New Jersey created under Chapter 138 of the Sewerage Authority Law of New Jersey of 1946, as amended, pursuant to the action of the governing bodies of Hazlet Township, Holmdel Township and the Borough of Union Beach in 1968.

The Authority is authorized and empowered to acquire, construct, maintain, operate or improve works for the collection, treatment, and disposal of sewage or other wastes in return for the participants agreeing to pay all charges necessary to cover debt service requirements and all obligations of the Authority through sewer charges for usage. The present participants are Hazlet Township, Holmdel Township, Borough of Union Beach, Borough of Keyport, Keansburg Municipal Utilities Authority, Borough of Matawan, Western Monmouth Utilities Authority, and the Township of Aberdeen. All participants have entered into service contracts with the Authority.

As a public body under existing statute, the Authority is exempt from all federal and state income taxes.

B. New Accounting Standards

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May, 2020. This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has reviewed the requirement of the statement and has determined that it did not have a material impact on the financial statements.

The GASB issued Statement No. 99, *Omnibus, 2022* in April, 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has reviewed the requirements of GASB Statement No. 99 and deemed the impact immaterial to the financial statements.

The GASB issued Statement No. 101, *Compensated Absences* in June, 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023 and all reporting periods thereafter. Earlier application is encouraged. Management has not determined the impact of the Statement on the financial statements.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (continued)

B. New Accounting Standards (continued)

The GASB issued statement No. 102, *Certain Risk Disclosures* in January, 2024. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for periods beginning after June 15, 2024 and all reporting periods thereafter. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 103, *Financial Reporting Model* Improvements in April, 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for periods beginning after June 15, 2025 and all reporting periods thereafter. Management has not determined the impact of the Statement on the financial statements.

C. Basis of Financial Statements

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

Cash, Cash Equivalents and Investments

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 required 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.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Financial Statements - Cash, Equivalents and Investments (cont'd)

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Cash includes petty cash, change funds, cash in banks, savings accounts, money market funds, or highly liquid securities with an original maturity date of less than three (3) months from the date of purchase which may be withdrawn at any time without prior notice of penalty. Cash equivalents are defined as short-term, highly liquid securities that are both radically 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 an original maturity date of less than three (3) months from the date of purchase meet this definition. For the Comparative Statement of Cash Flows the Authority includes all cash and cash equivalents.

Risk Analysis

The cash, checking, savings accounts, and money market accounts are covered by the Federal Deposit Insurance Corporation ("FDIC") and the Government Unit Deposit Protection Act ("GUDPA").

Investments:

The Authority's investment policy permits the investing of monies in the following types of investments:

- a) Any direct and general obligation of the United States of America.
- b) Negotiable or non-negotiable certificates of deposit issued by any bank, savings and loan association, or national banking association if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Deposit Protection Act, N.J.S.A. 17:9-41 et seq.
- c) Deposits in the State of New Jersey Cash Management Fund.

The Authority's investments which are held on the records of the various financial institutions, are recorded at fair value and include the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Certificates of Deposit	\$ 2,167,732	\$5,244,699
United States Treasury Bill	<u>3,288,795</u>	<u>-</u>
	<u>\$ 5,456,527</u>	<u>\$5,244,699</u>

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Financial Statements - Cash, Equivalents and Investments (cont'd)

The amortized cost of the Authority's investment securities and their approximate fair values at December 31, 2023 and 2022 were as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2023</u>				
Certificates of Deposit	\$2,167,732	-	-	\$2,167,732
US Treasury Bill	<u>3,263,196</u>	<u>\$ 25,599</u>	-	<u>3,288,795</u>
	<u>\$5,430,928</u>	<u>\$ 25,599</u>	-	<u>\$5,456,527</u>
<u>December 31, 2022</u>				
Certificates of Deposit	\$5,224,699	-	-	\$5,224,699

Investment ratings and contractual maturities of the Authority's held-to-maturity securities at December 31, 2023 and 2022 are as follows:

December 31, 2023 Investment Maturities

<u>Investment Type</u>	<u>S& P Ratings</u>	<u>Fair Value</u>	<u>Within 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Yrs.</u>
Certificates of Deposit	N/A	\$2,167,732	\$2,167,732	\$ -	\$ -
US Treasury Bill	N/A	<u>3,288,795</u>	<u>3,288,795</u>	-	-
		<u>\$5,456,727</u>	<u>\$5,456,727</u>		

December 31, 2022 Investment Maturities

<u>Investment Type</u>	<u>S&P Ratings</u>	<u>Fair Value</u>	<u>Within 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Yrs.</u>
Certificates of Deposit	N/A	\$5,224,699	\$5,244,699	\$ -	\$ -

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

GASB 72 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level1 measurement). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Financial Statements - Cash, Equivalents and Investments (cont'd)

Investments (Cont'd)

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive Markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

- *Certificates of Deposit:* Valued at amortized cost, which approximates fair value;
- *FNMA and FHLMC Obligations:* Valued at the closing price reported on the active market in which the security is traded;
- *US Treasury Bills:* Valued at the closing price reported on the active market in which the security is traded;
- *US Treasury Notes:* Valued at the closing price reported on the active market in which the security is traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Financial Statements - Cash, Equivalents and Investments (cont'd)

Investments (Cont'd)

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of December 31, 2023 and 2022:

	<u>Assets at Fair Value</u> <u>As of December 31, 2023</u>	
	<u>Level 2</u>	<u>Total</u>
Certificates of Deposit	\$ 2,167,732	\$ 2,167,732
US Treasury Bills	<u>3,288,795</u>	<u>3,288,795</u>
	<u>\$5,456,527</u>	<u>\$5,456,527</u>

	<u>Assets at Fair Value</u> <u>As of December 31, 2022</u>	
	<u>Level 2</u>	<u>Total</u>
Certificates of Deposit	<u>\$ 5,244,699</u>	<u>\$ 5,244,699</u>

Credit Risk: The Authority does not have an investment policy regarding the management of credit risk, because it is the Authority's policy, pursuant to its bond resolutions, to only invest in securities that are obligations of the U.S. Government or securities guaranteed by the U.S. Government and certificates of deposit. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments, except for obligations of the U.S. Government or investments guaranteed by the U.S. Government.

Interest Rate Risk: The Authority only invests in securities of, or guaranteed by, the U.S. Government, which generally holds until maturity, and in certificates of deposit. As such, management believes that they do not have a significant exposure to interest rate risk, therefore, the Authority does not have a policy to limit interest rate risk.

D. Unemployment Insurance

The Authority is insured under the rules and regulations of the State of New Jersey Unemployment Compensation Law, whereby it pays into the state fund a percentage of payroll costs to cover benefits to be paid to former employees of the Authority.

E. Inventory

Inventory consists principally of machinery replacement parts and supplies. The inventory is stated at cost determined on a first-in, first-out basis. An adjustment was made to the December 31, 2023 inventory dollar amount due to an increase in amounts of inventory and cost thereof.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (continued)

F. Grants-In-Aid

Federal and state grants-in-aid of construction are recorded in the period received. Grants received by the Authority are restricted by the grantor to the design and construction of plant facilities and are recorded as contributed capital.

G. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Plant, Property and Equipment

Plant, property, and equipment are stated at cost, which includes direct construction costs and other expenditures related to construction. Construction costs are charged to construction in progress until such time as given segments of the project are completed and put into service.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation on assets acquired with Grants-in-Aid is recorded as a reduction of contributed capital. Depreciation is provided over the following estimated useful lives of capital assets ranging from 5-40 years. Construction in Progress is not depreciated until put into service.

The following table summarizes the capital asset activity of the Authority for 2022:

	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Dispositions</u>	Balance December 31, <u>2022</u>
Land & Building	\$ 1,872,020	\$ 26,974	-	\$ 1,898,994
Plant Infrastructure	109,877,912	1,227,348	-	111,105,260
System Infrastructure	28,438,644	1,483,812	-	29,922,456
Vehicles & Equipment	1,531,284	11,104	-	1,542,388
Construction in Progress	<u>17,126,649</u>	<u>57,854</u>	<u>-</u>	<u>17,184,503</u>
	\$158,846,509	\$ 2,807,092	-	\$ 161,653,601
Less: Accumulated Depreciation	<u>(85,485,753)</u>	<u>(2,669,810)</u>	<u>-</u>	<u>(88,155,564)</u>
	<u>\$73,360,756</u>	<u>\$ 137,282</u>	<u>\$ -</u>	<u>\$73,498,037</u>

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (continued)

H. Plant, Property and Equipment (cont'd)

The following table summarizes the capital asset activity of the Authority for 2023:

<u>2023</u>	Balance December 31, <u>2022</u>	<u>Additions</u>	<u>Dispositions</u>	Balance December 31, <u>2023</u>
Land & Building	\$ 1,898,994	\$ -	-	\$ 1,898,994
Plant Infrastructure	111,105,260	101,876	-	111,207,136
System Infrastructure	29,922,456	139,576	-	30,062,032
Vehicles & Equipment	1,542,388	139,876	-	1,682,264
Construction in Progress	<u>17,184,503</u>	<u>5,288,863</u>	<u>-</u>	<u>22,473,366</u>
	\$161,653,601	\$ 5,670,191	-	\$ 167,323,792
Less: Accumulated Depreciation	<u>(88,155,564)</u>	<u>(3,153,913)</u>	<u>-</u>	<u>(91,309,477)</u>
	<u>\$73,498,037</u>	<u>\$2,516,278</u>	<u>\$ -</u>	<u>\$76,014,315</u>

I. Statements of Cash Flows

For purposes of the statement of cash flows, the Authority considers unrestricted investments with maturities of three months or less to be cash equivalents.

Note 2. FEMA CLAIMS RECEIVABLE/FINANCING OF SUPERSTORM SANDY COSTS

On October 29, 2012, Super Storm Sandy made landfall along the Southern Atlantic Coast of New Jersey. The resulting storm surge and winds caused catastrophic damage to the community of Union Beach, where the Authority is located.

The Authority sustained significant damage to its property, plant and equipment. As of December 31, 2023, the Authority has expended \$12,956,347 (exclusive to amounts spent in relation to the New Jersey Infrastructure Bank (I-Bank) note borrowings discussed in Note 4, in repairs, equipment replacement and alternative treatment methods in order to continue to service its customer base. The full extent and cost of the damage caused by this extraordinary event has yet to be finalized and measured.

Certain of the expenses incurred by the Authority and discussed above will be eligible for a combination of insurance coverage and financial assistance from the Federal Emergency Management Agency (FEMA). The Authority anticipates that many of these expenses will be reimbursable at 90%. Certain of these expenses will mitigate future storm damage, and as such, will be capital in nature and will be financed over the useful life of the repaired asset. The amount shown as FEMA Claims receivable on the balance sheet is shown net of a \$2,842,842 reimbursement from the Authority's various insurance carriers and \$5,838,935 from FEMA.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 3. Bonds Payable I-Bank

On February 26, 2018, the Authority adopted a resolution ("General Bond Resolution") authorizing the issuance of revenue bonds. Also, on February 26, 2018, the Authority adopted supplemental resolution 1 to the General Bond Resolution authorizing the issuance to the I-Bank of an amount not to exceed \$14,000,000 (the "2018 Bonds"). The 2018 bonds consist of two portions: A federal portion that includes principal forgiveness, and a state portion. The federal portion of the 2018 Bonds consist of semi-annual principal payments of \$401,902 commencing on August 1, 2018, with a final maturity on August 1, 2037, at which time the total principal payments will amount to \$8,081,075. This portion does not bear interest. The state portion of the 2018 bonds in the amount of \$3,020,000 shall bear interest from their date of delivery, and semi-annual thereafter on August 1 and February 1 of each year. The portion shall bear interest at the rates and shall mature on the dates and in the principal amounts, set forth in an I-Bank Loan Agreement; provided that (i) each maturity date shall be February 1 or August 1; (ii) the final maturity date shall not be later than August 1, 2040; and (iii) no interest shall exceed six percent (6%) per annum. The proceeds of the 2018 bonds were used to refund the balance due on the 2017 notes payable and pay for the cost of issuance of the 2018 bonds.

Annual repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
Year Ending December 31,			
2020	520,902	111,381	632,283
2021	525,902	105,881	631,783
2022	530,902	100,131	631,003
2023	535,902	94,131	630,003
2024 – 2028	2,789,511	369,156	3,158,616
2029 – 2033	2,949,511	218,524	3,169,034
2034 – 2039	<u>2,458,608</u>	<u>69,618</u>	<u>2,517,796</u>
	<u>\$10,311,238</u>	<u>\$1,068,822</u>	<u>\$11,380,020</u>

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 3. Bonds Payable I-Bank (Continued)

On February 25, 2019, the Authority adopted supplemental resolution 2 to the General Bond Resolution authorizing the issuance to the I-Bank of an amount not to exceed \$6,000,000 (the "2019 Bonds"). The 2019 bonds consist of two portions: A Federal portion that includes principal forgiveness, and a State Portion. The Federal portion of the 2019 Bonds consist of semi-annual principal payments of 129,837 commencing on August 1, 2019, with a final maturity on August 1, 2038, at which time the total principal payments will amount to \$2,553,467. This portion does not bear interest. The State portion of the 2019 bonds in the amount of \$935,000 shall bear interest from their date of delivery, and semi-annually thereafter on August 1 and February 1 of each year. This portion shall bear interest at the rates and shall mature on the dates and in the principal amounts, set forth in an I-Bank Loan Agreement; provided that (i) each maturity date shall be February 1 or August 1; (ii) the final maturity date shall not be later than August 1, 2040; and (iii) no interest shall exceed six percent (6%) per annum. The proceeds of the 2019 bonds were used to refund the balance due on the 2016 notes payable, and pay for the cost of issuance of the 2019 loans.

Annual repayments are due as follows:

	<u>Principal</u>	<u>Debt Service Interest</u>	<u>Total</u>
Year ending December 31,			
2020	164,837	33,280	198,117
2021	164,837	31,531	196,368
2022	164,837	29,781	194,618
2023	169,837	28,031	197,868
2024 - 2028	874,186	108,296	982,482
2029 - 2033	914,186	63,331	977,517
2034 - 2039	<u>949,189</u>	<u>27,600</u>	<u>976,789</u>
	<u>\$ 3,401,909</u>	<u>\$321,850</u>	<u>\$3,723,759</u>

Note 4. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). PERS is administered by the State of New Jersey, Division of Pensions and Benefits ("Division").

PERS is a cost-sharing, multiple-employer defined benefit pension plan. PES provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and their beneficiaries. As a condition of employment, all Authority full-time employees are required to be members of PERS. PERS members can apply for a service retirement of age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5) regardless of the amount of service credit earned.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 4. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Plan Description and Benefits

Tier 1, 2 or 3: Annual Benefit = Years of Service Credit, divided by 55, times Final Average Salary (average salary of the last three years of credited service or the highest three fiscal years of credited service, whichever provides the higher benefit). Tier 4 or Tier 5: Annual Benefit = Years of Service Credit, divided by 60, times Final Average Salary (average salary of the last five years of credited service or the highest five fiscal years of credited service, whichever provides the higher benefit). Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007, and who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Contributions:

Employees' contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a seven-year period. Covered Authority employees are required by PERS to contribute 7.50% of their salaries. State statute requires the Authority to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Public Employees Retirement System (PERS):

At December 31, 2023 and 2022, the Authority had a liability of \$5,141,929 and \$4,884,178, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and 2022, respectively. The Authority's proportionate share 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 governmental entities, actuarially determined. As of the measurement date of June 30, 2023, the authorities proportionate share was 0.0035 percent, which was the same as of June 30, 2022.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 4. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

For the years ended December 31, 2023 and 2022, respectively, the pension system has determined the Agency's pension expense to be \$94,283 and \$(292,497), respectively, for PERS based on the actuarial valuation which is less than the actual contributions made by the Authority of \$474,465 in 2023 and \$340,353, respectively.

At December 31, 2023 and 2022, the Agency's deferred inflows of resources related to the PERS pension are from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 49,163	\$ 21,019	\$ 35,252	\$ 31,087
Changes of Assumptions	11,296	311,623	15,133	731,355
Net Difference Between Projected And Actual Earning on Pension Plan Investments	23,679	-	202,152	-
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	<u>613,743</u>	<u>14,045</u>	<u>306,942</u>	<u>83,774</u>
	<u>\$ 697,881</u>	<u>\$ 346,687</u>	<u>\$ 559,479</u>	<u>\$ 846,216</u>

At December 31, 2023, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	(\$633,301)
2025	(251,464)
2026	563,474
2027	(34,712)
2028	<u>707,197</u>
	<u>\$ 351,194</u>

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 4 EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Public Employees Retirement System (PERS) (Continued):

Actuarial Assumptions

The Authorities total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. The total pension liability reported for the year ended December 31, 2022 was based on the June 30, 2022 measurement date as determined by actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2023</u>	<u>2022</u>
Inflation Rate	2.75%	2.75%
Salary Increases:	2.75 – 6.55% Based on Years of Service	2.75 – 6.55% Based on Years of Service
Investment Rate of Return	7.00%	7.00%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rate 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023 are summarized in the following tables:

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 4. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

<u>2023</u>			<u>2022</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	3.31%	Cash equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	3.31%	U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	5.19%	Investment grade credit	7.00%	3.38%
High Yield	4.50%	6.97%	High yield	4.00%	4.95%
Non-US Developed Markets	12.75%	9.22%	Non-US Developed Markets	13.50%	8.38%
Private Credit	8.00%	9.20%	Private Credit	8.00%	8.10%
Private equity	13.00%	12.50%	Private Equity	13.00%	11.80%
US Equity	28.00%	8.98%	U.S Equity	27.00%	8.12%
Real estate	8.00%	8.58%	Real estate	8.00%	11.19%
Real assets	3.00%	8.40%	Real Assets	3.00%	7.60%
Risk Mitigation Strategies	3.00%	6.21%	Risk Mitigation Strategies	3.00%	4.91%
International small cap equity	1.25%	9.22%			
Emerging Markets equity	5.50%	11.13%			

The Discount Rate used to measure the total pension liabilities of the PERS plan was 7.00% for 2023 and 2022 respectively.

Sensitivity of Net Pension Liability:

The following presents the Authorities proportionate share of the PERS net pension liability as of December 31, 2023 and 2022, calculated using the discount rate of 7.00% and 7.00%, respectively, as well as what the Authority's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00% and 6.00%, respectively) or one percentage point higher (8.00% or 8.00%, respectively) than the current rate:

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 4. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Public Employees Retirement System (PERS) : Sensitivity of Net Pension Liability (Continued):

	<u>2022</u>		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of PERS Net Pension Liability	<u>\$ 5,587,106</u>	<u>\$ 4,884,178</u>	<u>\$ 4,057,286</u>
	<u>2023</u>		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of PERS Net Pension Liability	<u>\$6,200,652</u>	<u>\$ 5,141,929</u>	<u>\$ 4,242,091</u>

The sensitivity analysis was based on the proportionate share of the Authority's net pension liability at December 31, 2023 and 2022. A sensitivity analysis specific to the Authority's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position:

Detailed information about the PERS pension plan's fiduciary net pension is available in the separately issued report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Note 5. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension – GASB 75

Plan Description and Benefits Provided

The State Health Benefit Retired Employees Plan is a multiple-employer defined benefit OPEB plan, with that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription, drug, and Medicare Part B reimbursement to retirees and their covered dependents of local employers.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 6. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension – GASB 75 (Continued)

Plan Description and Benefits Provided - (Continued)

The employer contributions for the participating local employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: Teachers' Pension Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, the future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health 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 coverage.

Total Non-employer OPEB Liability

The portion of the Total Non-employer OPEB Liability that was associated with the Authority at December 31 was as follows:

	<u>2023</u>	<u>2022</u>
Non-employer OPEB Liability:		
Authority's proportionate share	\$8,718,799	\$7,447,547

The Total Non-employer OPEB Liability as of December 31, 2023 and 2022 was determined by an actuarial valuation as of June 30, 2023 and 2022, respectively.

The District's proportion was 0.058110 and 0.046116 percent as of December 31, 2023 and 2022, respectively.

The State, a Non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 5. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension – GASB 75 (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Salary increases Through 2026	2.75% - 6.55% Based on Age
-------------------------------	----------------------------

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-Retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2013 - June 30, 2018, July 1, 2014 - June 30, 2018.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 6.5% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2022 are 14.8% and 21.83%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 9.5% and decreases to a 4.5% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate; rather, the discount rate is set at the municipal bond rate.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 5. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension – GASB 75 (Continued)

Sensitivity of the Total Non-employer OPEB Liability to Changes in the Discount Rate

The following presents the total non-employer OPEB liability associated with the Authority as of December 31, 2023 and 2022 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>December 31, 2023</u>			
	<u>1.00% Decrease (2.65%)</u>	<u>At Discount Rate (3.65%)</u>	<u>1.00% Increase (4.65%)</u>
State of New Jersey's Non-employer OPEB Liability Associated with the Authority	\$10,098,984	\$8,718,799	\$7,585,355
<u>December 31, 2022</u>			
	<u>1.00% Decrease (2.54%)</u>	<u>At Discount Rate (3.54%)</u>	<u>1.00% Increase (4.54%)</u>
State of New Jersey's Non-employer OPEB Liability Associated with the Authority	\$8,633,206	\$7,447,547	\$6,479,365

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

As of June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to retired Authority employee's OPEB associated with the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions	\$2,464,525	\$1,129,412	\$ 993,906	\$2,541,704
Difference Between Expected Experience and Actual Experience	2,369,180	402,066	384,599	1,380,459
Changes in Proportion	<u>491,439</u>	<u>3,131,841</u>	<u>-</u>	<u>662,137</u>
	<u>\$5,325,144</u>	<u>\$4,663,319</u>	<u>\$2,470,356</u>	<u>\$4,584,300</u>

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2023 and 2022

Note 5. ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS
OTHER

THAN PENSION - GASB 75 - OPEB Expense and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the Authority will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ (191,929)
2025	(162,372)
2026	(87,840)
2027	(41,176)
2028	(83,116)
Thereafter	<u>(95,392)</u>
	<u>\$ (661,825)</u>

In accordance with GASB No. 75, the Authority's proportionate share of retiree's OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-029 or on their website at:
<http://www.state.nj.us/treasury/pensions/gasb-notice-oheb.shtml> .

NOTE 6. SUBSEQUENT EVENTS

In Management's opinion, there were no other transactions or events which would require recognition or disclosure in the Financial Statements from January 1, 2023 through October 21, 2024, the date in which these Financial Statements became available to the public.

SUPPLEMENTARY INFORMATION

Schedule 1

Bayshore Regional Sewerage Authority

**SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (NPL)
DETERMINED AS OF JUNE 30, 2023 PERS MEASUREMENT DATE**

Fiscal Year	Authority's Proportion	Authority's Proportionate	Authority's Covered Payroll	Authority's Proportionate Share of NPL as a % of Covered Payroll Payroll
2023	0.03%	\$ 5,141,929	\$ 3,008,939	179%
2022	0.03%	4,884,178	2,719,710	179%
2021	0.03%	3,817,937	2,460,060	155%
2020	0.03%	5,044,730	2,574,337	195%
2019	0.03%	5,355,759	2,507,416	212%
2018	0.034%	6,155,334	2,393,527	257%
2017	0.03 %	7,303,532	2,122,092	344%
2016	0.03 %	8,986,184	2,125,099	422%
2015	0.03 %	6,582,319	2,088,779	315%

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Required Contribution	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2023	\$474,465	\$ 474,465	\$ -	\$ 3,009,939	15.76 %
2022	408,126	408,126	30,694	2,719,710	13.87 %
2021	340,453	(417,277)	(757,730)	2,460,060	13.93%
2020	290,588	219,240	71,348	2,574,337	11.28%
2019	318,103	312,814	5,289	2,507,416	12.68%
2018	471,183	295,984	175,199	2,393,527	12.36%
2017	662,912	290,654	372,258	2,122,042	13.69%
2016	950,420	269,456	680,964	2,155,099	12.67%
2015	487,968	252,095	235,873	2,088,779	12.06%

SCHEDULE OF CHANGES IN TOTAL NET PENSION LIABILITY

Fiscal Year	Beginning Balance Total Net Pension	Difference between Expected & Actual Expenditures	Change of Assumptions	Difference between Expected & Actual Earnings	Change in Proportion & Actual Less Proportionate Share	Other Changes and Reclassifications	Ending Balance Total Net Pension Liability
2023	\$ 4,884,178	\$28,144	\$ (300,217)	\$ 23,679	\$ 599,698	\$ (93,553)	\$ 3,817,937
2022	3,817,977	4,165	(716,222)	202,152	223,168	1,352,938	4,884,178
2021	5,044,730	32,882	(1,339,326)	(1,005,745)	258,666	826,730	3,817,937
2020	5,335,759	74,016	(1,948,619)	172,433	74,902	1,316,239	5,044,730
2019	6,155,334	23,659	1,858,967	84,543	297,971	(3,064,715)	5,355,759
2018	7,303,552	117,383	853,851	57,732	329,633	(2,606,817)	6,155,334
2017	8,986,164	171,973	5,395	49,732	463,250	(2,372,962)	7,303,552
2016	6,582,317	167,115	1,861,453	342,651	371,502	(338,694)	8,986,164
2015	5,275,787	157,031	706,888	-	261,677	180,934	6,582,317

The Pension Schedules are intended to show information for ten years. The State of New Jersey has issued seven years of pension information to the Authority. Additional years' information will be displayed as it becomes available

Schedule 2

Bayshore Regional Sewerage Authority

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY DETERMINED AS OF JUNE 30, 2023, OPEB MEASUREMENT DATE

Fiscal Year	Authority's Proportion	Authority's Proportionate	Authority's Covered Payroll	Authority's Proportionate Share of NPL as a % of Covered Payroll
2023	0.058%	\$8,718,799	\$3,009,939	289%
2022	0.046%	7,447,547	2,719,710	273%
2021	0.046%	8,356,718	2,460,060	339%
2020	0.044%	7,922,712	2,574,337	307 %
2019	0.040%	5,450,804	2,507,416	217%
2018	0.044 %	6,858,642	2,393,527	296%

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Required Contribution	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2023	\$820,889	\$ 820,889	\$ -	\$ 3,009,939	27.27%
2022	763,895	763,815	-	2,719,710	28.08%
2021	890,532	890,532	-	2,460,060	36.19%
2020	702,374	702,375	-	2,574,337	27.28%
2019	318,103	312,814	5,289	2,507,416	12.68%
2018	276,930	270,817	6,103	2,393,527	11.56%

This Schedule is intended to show information for ten years. The State of New Jersey has issued five years of OPEB information to the Authority. Additional years' information will be displayed as it becomes available.

SCHEDULE 3

Bayshore Regional Sewerage Authority

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
Unrestricted Accounts

Year Ended December 31, 2023

	<u>Revenue</u>	<u>Regular Account</u>	<u>Payroll Account</u>	<u>Reserve Account</u>	<u>Total</u>
Cash and Investments - December 31, 2022	\$ 4,003	\$1,755,518	\$307,746	\$10,980,966	\$13,048,233
Cash Receipts:					
Service Charges	10,144,477	-	-	-	10,144,477
Outfall Charges	1,008,005	-	-	-	1,008,005
Transfers from other funds	-	12,768,933	3,005,249	828,123	16,602,182
Interest Received	23,677	72,207	19,097	227,360	342,341
Miscellaneous Income	<u>2,012,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,012,258</u>
Total Cash Available	\$13,192,420	\$14,596,658	\$3,332,092	\$12,036,449	\$43,157,496
Cash Disbursements - Transfer to Other Funds	12,919,952	-	-	6,103,802	19,023,752
Net Payroll & Payroll Taxes	-	-	2,610,866	-	2,610,866
Operations	<u>-</u>	<u>12,041,925</u>	<u>-</u>	<u>-</u>	<u>12,041,925</u>
Total Cash Disbursements	<u>12,919,952</u>	<u>12,041,925</u>	<u>3,525,228</u>	<u>4,817,607</u>	<u>33,676,543</u>
Cash and Investments - December 31, 2023	<u>272,468</u>	<u>2,554,733</u>	<u>721,226</u>	<u>5,932,524</u>	<u>9,480,953</u>
Balance Comprised of:					
- Cash	\$ 272,468	\$2,554,733	\$ 721,226	\$3,764,793	\$ 7,313,222
-Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,167,731</u>	<u>2,167,731</u>
	<u>\$ 272,468</u>	<u>\$2,554,733</u>	<u>\$ 721,226</u>	<u>\$ 5,932,524</u>	<u>\$ 9,480,953</u>

SCHEDULE 4

Bayshore Regional Sewerage Authority

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments

Restricted Accounts

Year Ended December 31, 2023

	<u>Escrow Deposits</u>	<u>Construction Fund</u>	<u>Bond Service Fund</u>	<u>Capital Outlay Fund</u>	<u>Emergency Reserve</u>	<u>Total</u>
Cash and Investments - December 31, 2022	\$ 2,658,715	\$ 5,183,430	\$ 105,024	\$ 7,441,733	\$ 3,126,699	\$ 18,615,601
Cash Receipts:						
Interest Received	43,129	147,695	10,460	37,090	162,096	739,470
Received from Customers	94,859	-	-	-	-	94,859
Transfers from Other Funds	-	4,399,169	1,566,779	-	-	5,965,948
Total Cash and Investments Available	<u>2,896,703</u>	<u>9,730,294</u>	<u>1,682,263</u>	<u>7,817,823</u>	<u>3,288,795</u>	<u>25,415,878</u>
Cash Disbursements:						
Debt Service	-	-	839,766	-	-	839,766
Construction Costs	-	121,969	-	-	-	121,969
Transfers to Other Funds	-	4,210,816	-	-	-	4,210,816
Total Cash Disbursements	<u>-</u>	<u>4,332,785</u>	<u>839,766</u>	<u>-</u>	<u>-</u>	<u>5,172,551</u>
Cash and Investments - December 31, 2023	<u>\$ 2,896,703</u>	<u>\$ 5,397,509</u>	<u>\$842,497</u>	<u>\$ 7,817,823</u>	<u>\$ 3,288,795</u>	<u>\$ 20,243,327</u>
Balance Comprised of:						
- Cash	\$ 2,896,703	\$ 5,397,509	\$842,497	\$ 7,817,823	\$ -	\$ 16,954,532
- Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,288,795</u>	<u>3,288,795</u>
	<u>\$2,896,703</u>	<u>\$ 5,397,509</u>	<u>\$ 842,497</u>	<u>\$7,817,823</u>	<u>\$ 3,288,795</u>	<u>\$ 20,243,327</u>

SCHEDULE 5

Bayshore Regional Sewerage Authority
Schedule of Operating Revenues and Costs Funded
by Operating Revenues Compared to Budget
For the Year Ended December 31, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Revenues:			
Treatment Charges	\$ 10,144,477	\$ 10,144,477	\$ 9,685,537
Interest on Investments	235,000	1,033,815	236,720
Connection Fees	550,000	1,827,259	1,782,367
Sundry	15,000	20,253	34,019
	<u>\$ 10,944,477</u>	<u>\$ 13,025,804</u>	<u>\$ 11,738,643</u>
Expenses:			
Salaries: Superintendents	\$ 836,168	\$ 803,070	\$ 970,155
Plant Operations	1,867,030	1,648,704	1,555,047
Commissioners and Project Managers	340,080	334,557	178,518
Office Staff	215,325	219,503	219,228
Pension	399,681	27,946	(292,417)
Social Security Tax	247,071	215,974	222,712
Unemployment Compensation Insurance	12,734	7,917	8,022
Health Insurance	987,007	1,056,728	884,460
Life Insurance	8,051	7,577	8,330
Uniform and Safety Shoes	8,050	5,296	9,731
Memberships	21,455	15,260	9,347
Training and Seminars	36,041	39,566	34,971
Sick=Vacation-Holiday Pay	20,000	16,106	-
Electric Plant	1,178,000	1,117,453	845,137
Incineration Fuel	350,000	266,842	347,957
Natural Gas	123,720	77,583	92,109
Plant Telephone	4,500	4,551	6,124
Water	115,501	129,039	101,729
Gasoline	14,000	12,077	12,402
Machinery Repairs	160,950	178,569	150,974
Computer Maintenance	11,000	10,854	15,893
Service Contracts	270,941	227,630	189,246
Major Projects/Repairs	10,000	12,694	3,111
Electrical/Instrument Repairs	49,000	99,261	59,199
Chemicals	535,000	545,763	394,448
Operating Supplies	10,000	10,805	12,101
Grounds Maintenance	14,000	15,353	16,268
Fire and Safety Equipment	14,750	11,405	26,244
Incinerator Sand	9,500	4,758	13,263
Major Projects/Repairs	20,000	13,994	14,431
Scavengers	33,185	22,261	-
Ash Removal	137,573	126,881	170,515
Lab Chemicals and Supplies	31,800	41,043	31,898
Lab Calibrations	10,000	7,843	8,375
Electric Pump Stations	45,000	50,304	33,138
Telephone - Alarm System	10,000	9,423	8,512
Line Maintenance, Parts and Supplies	41,000	39,495	24,057

SCHEDULE 5 Cont'd

Bayshore Regional Sewerage Authority
Schedule of Operating Revenues and Costs Funded
by Operating Revenues Compared to Budget
For the Year Ended December 31, 2023

With Comparative Actual Amounts for the Year Ended December 31, 2022

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Expenses (Continued)			
Truck Expense	\$ 9,000	\$ 6,863	\$ 11,098
Water - Pump Stations	24,000	32,644	24,831
Line Rehabilitation	2,750	-	20,502
TV Inspection/Cleanings	25,000	-	137,123
Sludge Testing	90,970	94,407	44,942
Fees and Permits	47,170	71,566	59,543
Municipal Host Benefit	12,200	12,200	12,161
Professional Fees:			
Legal	50,000	23,714	25,136
Accounting	50,000	38,874	53,568
Engineering	80,000	42,024	76,964
Trustee & Bank Fees	18,000	14,612	11,865
Consultants: Other	65,000	34,655	45,477
Payroll Services	12,425	16,322	10,602
Office Expense:			
Office Maintenance	3,000	600	1,798
Insurance	294,797	284,870	254,009
Advertisements	3,500	5,155	1,820
Telephone	4,800	2,643	2,118
Office Supplies	7,500	5,588	6,949
Printing and Postage	3,000	2,295	2,374
Office Equipment Rental	2,000	3,018	4,228
Promotions	2,000	596	1,737
Miscellaneous	2,500	6,429	4,863
Covid	-	-	1,212
Other Costs Funded By Operating Revenues:			
Principal Maturities	717,604	695,739	695,739
Depreciation	-	3,153,913	2,669,811
Interest	122,162	129,912	129,912
Total Costs Funded by Operating Revenues	<u>9,853,001</u>	<u>12,112,654</u>	<u>10,694,405</u>
Operating Excess	<u>1,091,476</u>	<u>913,150</u>	<u>1,044,238</u>
	<u>\$ 10,944,477</u>	<u>\$ 13,025,804</u>	<u>\$ 11,738,643</u>
Capital Outlays Funded by Operating Revenues and Net Position	<u>\$ 1,000,000</u>	<u>\$ 5,134,760</u>	<u>\$ 2,687,567</u>

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Marcy McMullen	Chairperson	-
Bart Sutton	Vice Chairperson	-
Samuel Lauro	Treasurer	\$50,000
John Mioduszewski	Secretary	-
Chirstopher Cavanaugh	Assistant Secretary	-
Scott Whalen	Assistant Treasurer	-

Other Officials

Peter J. Canal	Executive Director	50,000
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All Other

Office Staff	-	50,000
Plant Employees	-	50,000

Surety Company

NJ Utility Authorities Joint Insurance Fund
Westchester Surplus Lines Ins.

Bayshore Regional Sewerage Authority

For the Year Ended December 31, 2023

General Comments and Recommendations

None for the year ended December 31, 2023