

**PEQUANNOCK RIVER BASIN
REGIONAL SEWERAGE AUTHORITY**

Financial Statements

Years Ended October 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

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PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Pequannock River Basin Regional Sewerage Authority
Butler, New Jersey 07405

Report on the Financial Statements

Opinion

We have audited the accompanying statement of net position of the Pequannock River Basin Regional Sewerage Authority, as of and for the years ended October 31, 2022 and 2021 and the related statements of revenues, expenses and changes in net position 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 financial statements referred to above present fairly, in all material respects, the financial position of the Pequannock River Basin Regional Sewerage Authority, as of October 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pequannock River Basin Regional Sewerage Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Pequannock River Basin Regional Sewerage Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the letter of comments and recommendations section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover other information, and we do not express an opinion or 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 February 2, 2023 on our consideration of the Pequannock River Basin Regional Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pequannock River Basin Regional Sewerage Authority's internal control over financial reporting and compliance.

Wielkutz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

February 2, 2023

Required Supplementary Information

Management Discussion and Analysis

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

As management of the Pequannock River Basin Regional Sewerage Authority, in connection with the Authority's Financial Statements we offer this narrative overview and analysis of the Authority's financial performance during the fiscal year ended October 31, 2022 and 2021. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$16,698,136 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$15,764,116.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$5,772,675 include plant and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$-0- are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$10,925,461 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$308,339 to \$1,109,623 during the fiscal year primarily due to decreases in restricted accounts payable and bonds payable.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority operations over the past year as related to its operational stability and creditworthiness and can be used to determine whether the Authority has recovered all its costs through its user fees and other charges.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period?

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will also need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end are \$16,698,136. This is a \$934,020 increase over the prior year's net position of \$15,764,116. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position
(000's)**

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2020</u>
Current and Other Assets	10,967	9,945	1,022	10.28%	10,561
Capital Assets	6,871	7,270	(399)	(5.49)%	6,833
Deferred Outflow of Resources	<u> </u>	<u> </u>	<u> 0 </u>	??	<u> 87 </u>
Total Assets and Deferred Outflows	<u>17,838</u>	<u>17,215</u>	<u> 623 </u>		<u>17,481</u>
Liabilities	1,110	1,418	(308)	(21.72)%	2,004
Deferred Inflows of Resources	<u> 30 </u>	<u> 33 </u>	<u> (3) </u>	(9.09)%	<u> 61 </u>
Total Liabilities and Deferred Inflows	<u> 1,140 </u>	<u> 1,451 </u>	<u> (311) </u>		<u> 2,065 </u>
Invested in Capital Assets, Net of Related Debt	5,773	5,869	(96)	(1.64)%	4,914
Restricted		1,972	(1,972)	(100.00)%	2,498
Unrestricted	<u>10,925</u>	<u> 7,923 </u>	<u> 3,002 </u>	37.89%	<u> 8,004 </u>
Net Position	<u>16,698</u>	<u>15,764</u>	<u> 934 </u>	5.92%	<u>15,416</u>

While the *Statement of Net Position* shows the change in financial position of Net Position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$934,020.

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
and Changes in Net Position
(000's)**

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2020</u>
Operating Revenues	5,383	5,116	267	5.22%	5,135
Non-Operating Revenues	<u>100</u>	<u>10</u>	<u>90</u>	900.00%	<u>98</u>
Total Revenues	<u>5,483</u>	<u>5,126</u>	<u>357</u>	6.96%	<u>5,233</u>
Depreciation Expense	399	365	34	9.32%	348
Amortization		60	(60)	(100.00)%	60
Other Operating Expenses	3,088	3,276	(188)	(5.74)%	3,030
Other Non-Operating Expense	<u>1,062</u>	<u>1,077</u>	<u>(15)</u>	(1.39)%	<u>1,080</u>
Total Expenses	<u>4,549</u>	<u>4,778</u>	<u>(229)</u>		<u>4,518</u>
Change in Net Position	934	348	586	168.39%	715
Beginning Net Position	<u>15,764</u>	<u>15,416</u>	<u>348</u>	2.26%	<u>14,701</u>
Ending Net Position	<u>16,698</u>	<u>15,764</u>	<u>934</u>	5.92%	<u>15,416</u>

The Authority's Operating Revenues increased by \$266,348 to \$5,382,817 in 2022 from \$5,116,469 in 2021. Nonoperating Revenues increased by \$90,084 to \$99,786 from \$9,702 mainly due to an increase in interest income.

Budgetary Highlights

The Authority prepares and submits an annual budget to the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which approves the budget for adoption by the Authority prior to the beginning of the fiscal year.

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

The following table provides a 2022 budget comparison:

	Budget vs. Actual FY 2022 (000's)		
	<u>Amended Budget</u>	<u>Actual</u>	<u>Difference</u>
Revenues:			
Operating	5,383	5,383	0
Non-Operating	<u>10</u>	<u>100</u>	<u>90</u>
	<u>5,393</u>	<u>5,483</u>	<u>90</u>
Expenses:			
Operating	3,370	3,088	282
Other Reserves	600	600	0
Debt Service	<u>1,423</u>	<u>1,350</u>	<u>73</u>
	<u>5,393</u>	<u>5,038</u>	<u>355</u>
Income Before Depreciation and Amortization	<u>-0-</u>	<u>445</u>	<u>445</u>

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

The following table provides a 2021 budget comparison:

Budget vs. Actual FY 2021 (000's)			
	<u>Amended Budget</u>	<u>Actual</u>	<u>Difference</u>
Revenues:			
Operating	5,116	5,116	0
Non-Operating	<u>276</u>	<u>260</u>	<u>(16)</u>
	<u>5,392</u>	<u>5,376</u>	<u>(16)</u>
Expenses:			
Operating	3,573	3,276	297
Other Reserves	400	400	0
Debt Service	<u>1,419</u>	<u>1,347</u>	<u>72</u>
	<u>5,392</u>	<u>5,023</u>	<u>369</u>
Income Before Depreciation and Amortization	<u>-0-</u>	<u>353</u>	<u>353</u>

In accordance with the terms of the service contracts with Bloomingdale, Butler, Kinnelon and Riverdale, the PRBRSA determines sewer user charges (Annual Charges) based on three separate cost elements, namely, debt service (the Debt Service Annual Charge), operation and maintenance (the O&M Charge) and administrative (the Administrative Charge)¹. Under the 2020 Amended and Restated Service Contract effective November 1, 2020 the Annual Charges are distributed utilizing EDUs for the O&M and Administrative components. The Debt Service charge is calculated based on the reserve capacity held by each Member Municipality. The 2020 Amended and Restated Service Contract encompasses all previous service contracts and also establishes Riverdale as a full Member Municipality with 2 representatives on the PRBRSA Board. The PRBRSA Board consists of 8 voting members. A budget hearing is conducted annually in accordance with N.J.S.A. 40:14B.

The following charts summarize the distribution of the budgeted FY 2022 Annual Charges to the four towns served by the PRBRSA in accordance with the FY 2022 Budget including any Amendments:

¹For billing purposes, the Operating Charge is broken down into two components, the Operation and Maintenance Charge and the Administrative Charge.

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY -
DEBT SERVICE CHARGE**

<u>Gallons per Day of Allocation</u>	<u>Percent of Allocation</u>	<u>Debt Service Charge</u>	<u>Total</u>	<u>Bloomingtondale</u>	<u>Butler</u>	<u>Kinnelon</u>	<u>Riverdale</u>
950,500	36.36%		\$659,207	\$659,207			
950,700	36.76%		666,459		\$666,459		
204,500	7.87%		142,683			\$142,683	
494,300	19.01%		344,651				\$344,651
2,600,000	100.00%	\$1,813,000	\$1,813,000	\$659,207	\$666,459	\$142,683	\$344,651

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY -
O&M CHARGE**

<u>EDUs</u>	<u>Percent of EDUs</u>	<u>O&M Charge</u>	<u>Total</u>	<u>Bloomingtondale</u>	<u>Butler</u>	<u>Kinnelon</u>	<u>Riverdale</u>
3135	37.72%		\$1,122,667	\$1,122,667			
3512	42.26%		1,257,791		\$1,257,791		
363	4.37%		130,065			\$130,065	
1301	15.65%		465,794				\$465,794
8311	100.00%	\$2,976,317	\$2,976,317	\$1,122,667	\$1,257,791	\$130,065	\$465,794

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY -
ADMINISTRATIVE CHARGE**

<u>EDUs</u>	<u>Percent of EDUs</u>	<u>Administrative Charge</u>	<u>Total</u>	<u>Bloomingtondale</u>	<u>Butler</u>	<u>Kinnelon</u>	<u>Riverdale</u>
3135	37.72%		\$223,868	\$223,868			
3512	42.26%		250,813		\$250,813		
363	4.37%		25,936			\$25,936	
1301	15.65%		92,883				\$92,883
8311	100.00%	\$593,500	\$593,500	\$223,868	\$250,813	\$25,936	\$92,883

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY -
TOTAL ANNUAL CHARGES**

<u>Total Annual Charge</u>	<u>Total</u>	<u>Bloomingtondale</u>	<u>Butler</u>	<u>Kinnelon</u>	<u>Riverdale</u>
	\$2,005,742	\$2,005,742			
	2,175,063		\$2,175,063		
	298,684			\$298,684	
	903,328				\$903,328
\$5,382,817	\$5,382,817	\$2,005,742	\$2,175,063	\$298,684	\$903,328

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

REVENUES

Total Annual Charges	\$5,382,817	
Plus:		
Retained Earnings	0	
Investment Income	10,000	
Application Fees and Misc.	100	
Interest: State Loan Bonds	0	
TBSA Debt Service Credit	<u>0</u>	
 TOTAL FY 2022 BUDGETED REVENUES		 <u>\$5,392,917</u>

APPROPRIATIONS

Debt Service:

TBSA Contract Payments	\$1,120,000
Direct PRBRSA	303,100
Capital Reserve Fund	100,000
Renewal & Replacement Fund	500,000
2012 Series N Reserve (BRR)	<u>0</u>
Total	2,023,100

Administrative:

TBSA Contract Payments	272,000
Direct PRBRSA	<u>321,500</u>
Total	593,500

Operation and Maintenance:

TBSA Contract Payments	2,302,817
Direct PRBRSA	273,500
System Improvements	200,000
Operating Reserve	<u>0</u>
Total	2,776,317

TOTAL FY 2022 BUDGETED APPROPRIATIONS	 <u>\$5,392,917</u>
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**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Debt Service Payable

At October 31, 2022, the Authority had outstanding loans payable in the principal amount of \$1,067,613. The loan payments extend to December 1, 2034. Interest rates range from 0% to 5.00%.

General Bond Resolution and Second and Third Amendments to Debt Service Forward Delivery Agreements (Guaranteed Investment Contract)

Effective December 1, 2021 the Third Amendment to the Debt Service Forward Delivery Agreement and the General Bond Resolution was concluded.

The Authority utilized the "2012 Series N Arbitrage Rebate Reserve Fund" to pay the arbitrage rebate due on the Bond Reserve Fund at the conclusion of the General Bond resolution.

Capital Assets

At the end of 2022, the Authority had invested \$16,457,374 in capital assets. The Authority's net plant and equipment at fiscal year-end was \$6,871,085. This is a \$398,837 decrease under last year's net plant, property and equipment of \$7,269,922. A summary of the Authority's capital assets is presented in the following table:

	Capital Assets (000's)		Dollar Change	FY 2020
	<u>FY 2022</u>	<u>FY 2021</u>		
Interceptor	<u>\$16,457</u>	<u>\$16,457</u>	<u>\$0</u>	<u>\$13,938</u>
Total Capital Assets	<u>16,457</u>	<u>16,457</u>	<u>0</u>	<u>13,938</u>
Less: Accumulated Depreciation	<u>(9,586)</u>	<u>(9,187)</u>	<u>(399)</u>	<u>(8,823)</u>
	<u>6,871</u>	<u>7,270</u>	<u>(399)</u>	<u>5,115</u>
Construction in Progress	<u>-0-</u>	<u>-0-</u>	<u>0</u>	<u>1,717</u>
Net Capital Assets	<u>\$6,871</u>	<u>\$7,270</u>	<u>(\$399)</u>	<u>\$6,832</u>

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Economic Factors, Future Years Budgets and Rates

The Authority's Board and management of the Authority consider a broad range of factors when preparing each year's budget and establishing the sewer user charges (i.e., the Annual Charges) to the towns. The principal factors include, for example, inflation, anticipated contractual charges from the Pequannock, Lincoln Park & Fairfield Sewerage Authority (i.e., the Two Bridges Sewerage Authority); the need for repairs/replacements of and/or capital improvements to the PRBRSA regional interceptor system; significant increases in the required service levels; anticipated investment yields on non-operating revenues; and any anticipated regulatory changes likely to impose additional direct expenses or indirect expenses, the latter primarily through increases in the Two Bridges Sewerage Authority charges.

To reduce the rate impacts of anticipated debt service increases resulting from the Two Bridges Sewerage Authority wastewater treatment plant capital improvement program, a Capital Reserve Fund was created in FY 2007. As of October 31, 2022, the Capital Reserve Fund balance was \$3,184,728. To prepare for system improvements and rehabilitation projects, the Authority contributes annually to the Renewal and Replacement Fund. In FY 2022, the Renewal and Replacement Fund balance was \$806,858.

Contacting the Authority

This financial report is designed to provide the Authority's Participants, as well as System users, the general public, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, it may be obtained from the Authority's website at PRBRSA.org or by contacting the Pequannock River Basin Regional Sewerage Authority, Municipal Building, One Ace Road, Butler, NJ 07405. (Authority @ prbrsa.org).

Financial Statements

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
OCTOBER 31,

EXHIBIT A
Page 1 of 2

	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash equivalents	\$ 6,012,034	7,627,466
Investments	4,603,538	
Accrued Interest Receivable	19,861	
Prepaid Expenses	332,038	339,742
	<u>10,967,471</u>	<u>7,967,208</u>
<u>NON-CURRENT ASSETS:</u>		
Restricted:		
Cash and Cash equivalents		1,688,569
Investments		289,790
	<u>-</u>	<u>1,978,359</u>
Capital Assets:		
Plant, Property and Equipment:		
Interceptor	16,457,374	16,457,374
Less: Accumulated Depreciation	(9,586,289)	(9,187,452)
Net Capital Assets	<u>6,871,085</u>	<u>7,269,922</u>
	<u>6,871,085</u>	<u>9,248,281</u>
TOTAL ASSETS	<u>17,838,556</u>	<u>17,215,489</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable and Accrued Liabilities	\$ 39,010	43,828
Bonds Payable - Current Portion	85,634	
Accrued Interest Payable	3,000	
	<u>127,644</u>	<u>43,828</u>

See accompanying Notes to the Financial Statements.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
OCTOBER 31,

EXHIBIT A
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	<u>2022</u>	<u>2021</u>
<u>LIABILITIES (cont.):</u>		
Current Liabilities (cont.):		
Payable from Restricted Assets:		
Bonds Payable - Current Portion		285,635
Accounts Payable		14,303
Accrued Interest Payable		6,583
	<u>-</u>	<u>306,521</u>
Total Current Liabilities	<u>127,644</u>	<u>350,349</u>
Non-Current Liabilities:		
Sewer Revenue Bonds Payable	<u>981,979</u>	<u>1,067,613</u>
Total Non-Current Liabilities	<u>981,979</u>	<u>1,067,613</u>
TOTAL LIABILITIES	<u>1,109,623</u>	<u>1,417,962</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Unamortized Bond Premium	<u>30,797</u>	<u>33,411</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>30,797</u>	<u>33,411</u>
<u>NET POSITION:</u>		
Invested in Capital Assets, net of Related Debt	5,772,675	5,868,960
Restricted:		
Bond Reserve		208,000
Renewal and Replacement		300,000
Debt Service Reserve		183,333
Operating Requirement		1,187,454
Construction Funds		92,989
Unrestricted:		
Designated	4,879,502	4,006,754
Undesignated	<u>6,045,959</u>	<u>3,916,626</u>
TOTAL NET POSITION	<u>\$ 16,698,136</u>	<u>15,764,116</u>

See accompanying Notes to the Financial Statements.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED OCTOBER 31,

	<u>2022</u>	<u>2021</u>
<u>Operating Revenues:</u>		
Service Contracts with Municipalities	\$ 5,382,817	5,116,469
Total Operating Revenues	<u>5,382,817</u>	<u>5,116,469</u>
<u>Operating Expenses:</u>		
Cost of Providing Services	2,581,153	2,802,745
Administrative and General	506,453	473,724
Depreciation	<u>398,837</u>	<u>365,244</u>
Total Operating Expenses	<u>3,486,443</u>	<u>3,641,713</u>
Operating Income/(Loss)	<u>1,896,374</u>	<u>1,474,756</u>
<u>Non Operating Revenues (Expenses):</u>		
Interest Earned on Investments	99,786	9,602
Application Fees		100
Amortization of Bond Premiums	2,613	27,222
Two Bridges Sewerage Authority Debt		
Service Charges	(1,051,338)	(1,054,328)
Interest Expense	(13,415)	(22,190)
Amortization of Loss on Advance		
Refunding		<u>(86,876)</u>
Total Non-Operating Revenues (Expenses)	<u>(962,354)</u>	<u>(1,126,470)</u>
Change in Net Position	934,020	348,286
Net Position - Beginning	<u>15,764,116</u>	<u>15,415,830</u>
Net Position - Ending	<u>\$ 16,698,136</u>	<u>15,764,116</u>

See accompanying Notes to the Financial Statements.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED OCTOBER 31,

EXHIBIT C
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	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash Received from Customers	\$ 5,382,817	5,116,469
Other Operating Receipts		100
Cash Paid to Suppliers	(3,084,720)	(3,284,170)
Interest Received	79,925	19,211
Interest Paid	(16,998)	(25,544)
Net Cash Provided (Used) by Operating Activities	<u>2,361,024</u>	<u>1,826,066</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Sale/(Purchase) of Investments	(4,313,748)	26,187
Purchase of Property, Plant and Equipment	(14,304)	(1,109,069)
Net Cash Provided (Used) by Financing Activities	<u>(4,328,052)</u>	<u>(1,082,882)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Two Bridges Sewerage Authority Debt Service (net)	(1,051,338)	(1,054,328)
Bonds Retired	(285,635)	(270,635)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,336,973)</u>	<u>(1,324,963)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,304,001)	(581,779)
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>9,316,035</u>	<u>9,897,814</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 6,012,034</u>	<u>9,316,035</u>
Classified As:		
Unrestricted Assets	\$ 6,012,034	7,627,466
Restricted Assets	<u>-</u>	<u>1,688,569</u>
	<u>\$ 6,012,034</u>	<u>9,316,035</u>

See accompanying Notes to the Financial Statements.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED OCTOBER 31,

EXHIBIT C
Page 2 of 2

	<u>2022</u>	<u>2021</u>
OPERATING INCOME/(LOSS)	\$ 1,896,374	1,474,756
Adjustments to Reconcile Operating Income/(Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation	398,837	365,244
Interest Income	99,786	9,602
Interest Expense	(13,415)	(22,190)
Other Income		100
(Increase)/Decrease in:		
Accrued Interest Receivable	(19,861)	9,609
Prepaid Expenses	7,704	(2,547)
(Decrease)/Increase in:		
Accounts Payable	(4,818)	(5,154)
Accrued Interest Payable	(3,583)	(3,354)
Total Adjustments	<u>464,650</u>	<u>351,310</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,361,024</u>	<u>1,826,066</u>

See accompanying Notes to the Financial Statements.

Notes to Financial Statements

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021

NOTE 1. ORGANIZATION AND RELATIONSHIP WITH TWO BRIDGES AND OTHER PARTIES

The Pequannock River Basin Regional Sewerage Authority (the "Pequannock River Authority", the "Authority, or "PRBRSA") was created in May 1974 by parallel ordinances of its three member municipalities, Bloomingdale, Butler and Kinnelon for the purpose of acquiring, constructing, maintaining and operating sewerage facilities for the improvement of water quality in the Pequannock River Basin. In 1985, the Authority entered into a Participant service agreement with Bloomingdale and Butler which obligates each municipality to pay a proportionate share of the Authority's operating expenses, bond service and required reserve additions not met by other sources. In January 1987, the Authority entered into a customer service contract with the Borough of Riverdale, which obligates the Borough to pay for the cost of services rendered by the Authority. In December 1990, the Authority entered into a revised Participant service contract with Bloomingdale, Butler and Kinnelon, which also obligates Kinnelon to pay for the cost of services provided by the Authority.

On December 16, 1987, the Authority initiated regional operations by placing into operation the newly constructed regional sewer lines (the "interceptor facilities") interconnecting the PRBRSA service areas with the existing system of the Two Bridges Sewerage Authority. In conjunction with its regional wastewater management responsibilities, the Authority also assumed ownership of certain existing interceptor facilities as conveyed to PRBRSA by the Boroughs of Bloomingdale and Butler.

Under the terms of the December 20, 1985 agreement referred to above, the Pequannock River Authority is entitled to share in any refunding or crediting of the retained earnings of the Two Bridges Sewerage Authority generated subsequent to the date of conveyance by PRBRSA to Two Bridges of the New Interceptor - Southern Portion on that date.

On December 31, 2008, the Authority entered into four agreements collectively known as the "2008 Amendments" to the following agreements: (1) The December 20, 1985 Agreement with Two Bridges; (2) The 1990 Amendment to the 1985 Service Contract Between and Among the Boroughs of Bloomingdale, Butler and Kinnelon; (3) The 1987 Riverdale Service Contract; (4) a separate agreement between and among the Borough of Lincoln Park, the Authority and the Borough of Riverdale.

The 2008 Amendments increased the Authority's treatment capacity allocation in the Two Bridges system (from 2.50 mgd to 2.60 mgd) as well as the main sewer capacity (from 3.750 mgd to 3.925 mgd) and among other things, increased the Borough of Riverdale's reserve capacity allocation in the Authority's System from (0.309 mgd to 0.409 mgd) commensurately increasing the Authority's treatment plant and main sewer debt service obligations to Two Bridges.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 1. ORGANIZATION AND RELATIONSHIP WITH TWO BRIDGES AND OTHER PARTIES, (continued)

On December 7, 2015, the Authority entered into two agreements collectively known as the "2015 Amendments" as follows: (1) "2015 Five Party Agreement Between and Among the Pequannock River Basin Regional Sewerage Authority and the Borough of Kinnelon and the Borough of Bloomingdale and the Borough of Butler and the Borough of Riverdale"; and (2) "2015 Amendment to the 1987 Service Contract between the Pequannock River Basin Regional Sewerage Authority and the Borough of Riverdale".

The 2015 Amendments decreased the Borough of Bloomingdale's capacity allocation from 0.9500 mgd to 0.9045 mgd, decreased the Borough of Kinnelon's 0.2500 mgd capacity allocation to 0.2045 mgd and increased Riverdale's capacity allocation from 0.409 mgd to 0.500 mgd.

The August 21, 2019 "2019 Agreement Between and Among the Pequannock River Basin Regional Sewerage Authority and the Borough of Butler and the Borough of Riverdale" transferred 5,700 gallons per day (0.0057 mgd) from the Borough of Riverdale to the Borough of Butler increasing Butler's reserve capacity allocation from 0.9910 to 0.9967 mgd and decreasing Riverdale's allocation from 0.5000 mgd to 0.4943 mgd.

On September 24, 2020, the Authority along with the Borough of Bloomingdale, the Borough of Butler, the Borough of Kinnelon and the Borough of Riverdale executed the "2020 Amended and Restated Service Contract" effective November 1, 2020. The 2020 Amended and Restated Service Contract recognizes the Borough of Riverdale as a Member Municipality with two Representatives on the reconstituted PRBRSA Board.

The Borough of Riverdale's petition for Membership was accepted on submission of a financial analysis upon review by counsel, bond counsel and the Authority's consulting engineer. The Trustee was provided the Petition For Membership as required by the General Bond Resolution.

On execution of the 2020 Amended and Restated Service Contract, Riverdale's membership status was affirmed.

The 2020 Amended and Restated Service Contract amends the billing method from flow-based to EDU-based calculations.

The Authority's annual payment obligation to Two Bridges includes a portion of TBSA's treatment plant debt service and TBSA's main sewer debt service.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 1. ORGANIZATION AND RELATIONSHIP WITH TWO BRIDGES AND OTHER PARTIES, (continued)

During the years ended October 31, 2022 and 2021, the charges between Two Bridges Sewerage Authority and the Pequannock River Authority for providing services were as follows:

	<u>2022</u>	<u>2021</u>
Operations and Maintenance	\$2,225,895	\$2,519,836
Administrative Expenses	211,876	223,242
Two Bridges Debt Service	<u>1,051,338</u>	<u>1,054,328</u>
	<u>\$3,489,109</u>	<u>\$3,797,406</u>

The Authority's financial statements include all the accounts of all the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the Organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organization board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government;
- there is a fiscal dependency by the organization on the primary government.

GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and 34, establish standards to determine whether a government component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility for agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Authority has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current or prior years.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 1. ORGANIZATION AND RELATIONSHIP WITH TWO BRIDGES AND OTHER PARTIES, (continued)

Reporting Entity

The Authority's financial statements include the operations of the wastewater collection for which the Board members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by their respective municipalities. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Financial Statements:

The financial statements of the Pequannock River Basin Regional Sewerage Authority have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Accounting:

The Pequannock River Basin Regional Sewerage Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

C. Cash and Cash Equivalents:

Cash and cash equivalents include demand deposits with original maturities of three months or less.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Investments:

U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less are stated at cost. All other investments are stated at fair value. Interest earned and not received is accrued. Interest earned on restricted assets is included in non-operating revenues, while interest earned on operating investments (unrestricted assets) is included in operating revenues. Investments are made in accordance with State statutes.

E. Debt Issue Expenses/Deferred Outflow of Resources:

Debt issue expenses are expensed in the period incurred. When outstanding debt is advance refunded resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized over the life of the old debt or the life of the new debt, whichever is shorter.

F. Plant and Equipment:

Plant and equipment are stated at cost, which includes direct construction costs and other expenditures related to construction. Acquisitions that do not provide both current and future benefits are charged to current operating results.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Interceptors	40 to 50 Years
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G. Income Taxes:

No provision has been made for income taxes, as the Authority is exempt from federal and state income taxes.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Concentration of Credit Risk:

The Authority's financial instruments that are exposed to credit risk consist primarily of cash, cash equivalents and receivables. The Authority places its cash and cash equivalents with financial institutions that are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits above that amount are protected by the Governmental Unit Deposit Protection Act (GUDPA), and the Authority believes no significant concentration of credit risk exists with respect to its cash and cash equivalents. There is a significant concentration of credit risk with respect to the Authority's receivables which consist of amounts due from the four (4) municipalities serviced by the Authority. The Authority has entered into service contracts with each of these municipalities (see note 1) that require the municipalities to reimburse the Authority for the cost of services provided.

I. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are used in budgeting to determine depreciation expense and may be used in the determination of certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

J. Budgetary Procedures:

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by a majority of the full membership of the governing body. Two certified copies are submitted to the director of the Division of Local Government Services at least 60 days prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other content as required by law or by rules and regulations of the Local Finance Board.

No Authority budget can be finally adopted until the Director has approved the budget.

A public hearing is conducted annually to obtain citizen comment on the proposed budget.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

J. Budgetary Procedures: (continued)

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date (N.J.S.A. 5:31-2.8).

K. Recent Accounting Pronouncements

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Recent Accounting Pronouncements, (continued)

intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Recent Accounting Pronouncements, (continued)

board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Authority does not believe that this statement will have any effect on future financial statements.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to 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, is available to pay the full amount of their deposits to the Governmental Units.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority's policy is based on New Jersey Statutes requiring cash to be deposited only as described on the preceding page. As of October 31, 2022, \$-0- of the Authority's bank balance of \$6,967,120 was exposed to custodial credit risk.

As of October 31, 2022, the book or carrying amount of the Authority's cash and cash equivalents is summarized as follows:

<u>Accounts</u>	Money Market/ Checking <u>Accounts</u>	NJ Cash Management <u>Fund</u>	<u>Total</u>
Unrestricted:			
Operating Account	\$9,714	\$	\$9,714
Revenue Account	<u>94</u>	<u>6,002,226</u>	<u>6,002,320</u>
	<u>\$9,808</u>	<u>\$6,002,226</u>	<u>\$6,012,034</u>

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of October 31, 2022, the Authority had \$6,002,226 on deposit with the New Jersey Cash Management Fund.

The carrying amount of the Authority's cash and cash equivalents at October 31, 2022 was \$6,012,034 and the bank balance was \$6,967,120. Of this amount, \$6,002,226 in the New Jersey Cash Management Fund is not covered by either the federal depository insurance or the collateral pool maintained by the banks as required by New Jersey Statutes.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 4. INVESTMENTS

New Jersey statutes establish the following securities as eligible for the investment of Authority funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Government Money Market Mutual Funds.
- (c) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an Act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (d) Bonds or other obligations of the Authority, or bonds or other obligations of school districts of which the Authority is a part or within which the school district is located.
- (e) Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- (f) Local Government Investment Pools.
- (g) Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, C.281 (C.52:18A:90.4).
- (h) Agreements for the repurchase of fully collateralized securities.

Repurchase agreements (15.1(a)(8)) must comply with the following conditions:

- (a) The underlying securities are permitted investments, pursuant to the list contained in (a) and (c) above.
- (b) The custody of the collateral is transferred to a third party. This means the bank must contract with a trusted third party to hold the collateral to ensure it is not pledged against any other investments.
- (c) The maturity of the agreement is not more than 30 days.
- (d) The underlying securities are purchased through a GUDPA bank.
- (e) A master repurchase agreement providing for the custody and security of collateral is executed.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 4. INVESTMENTS, (continued)

Local Government Investment Pools ("LGIP") (15.1(e)(2)) are subject to the following requirements:

- (a) It is managed in accordance with the SEC's government money market rules (2a-7).
- (b) It is rated in the highest category by a nationally recognized statistical rating organization.
- (c) Have their portfolio limited to U.S. Government securities as defined in 2a-7 and repurchase agreements that are collateralized by such U.S. Government securities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Jersey State Statutes limit the type of investments made by the Authority as described above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy permits the investing of funds in the types of investments described above as defined in New Jersey State Statutes.

As of October 31, 2022, the Authority had the following investments:

Investment Type	Average Credit/Quality Ratings	Face Amount	Carrying Amount	<u>Investment Maturities (in Years)</u>		
				<u><1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury Bills	Aaa	<u>\$4,664,000</u>	<u>\$4,603,538</u>	<u>\$4,603,538</u>	<u>\$-0-</u>	<u>\$-0-</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 5. PLANT AND EQUIPMENT

Plant and equipment are depreciated using the straight-line method over estimated useful lives of 40 years for the interceptor. Activity for the Authority's plant and equipment is summarized below:

	Balance <u>10/31/21</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>10/31/22</u>
Capital Assets, Being Depreciated:				
Interceptor	<u>\$16,457,374</u>	<u> </u>	<u> </u>	<u>\$16,457,374</u>
Total Capital Assets, Being Depreciated	<u>16,457,374</u>	<u> </u>	<u> </u>	<u>16,457,374</u>
Less: Accumulated Depreciation:				
Interceptor	<u>(9,187,452)</u>	<u>(398,837)</u>	<u> </u>	<u>(9,586,289)</u>
Total Accumulated Depreciation	<u>(9,187,452)</u>	<u>(398,837)</u>	<u> </u>	<u>(9,586,289)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,269,922</u>	<u>(398,837)</u>	<u> </u>	<u>6,871,085</u>
Capital Assets, Net	<u>\$23,727,296</u>	<u>(\$398,837)</u>	<u>\$ </u>	<u>\$23,328,459</u>
	Balance <u>10/31/20</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>10/31/21</u>
Capital Assets, Not Being Depreciated:				
Depreciated:				
Construction in Progress	<u>\$1,716,915</u>	<u>\$802,574</u>	<u>\$2,519,489</u>	<u>\$0</u>
Total Capital Assets, Not Being Depreciated	<u>1,716,915</u>	<u>802,574</u>	<u>2,519,489</u>	<u>0</u>
Capital Assets, Being Depreciated:				
Interceptor	<u>13,937,885</u>	<u>2,519,489</u>	<u> </u>	<u>16,457,374</u>
Total Capital Assets, Being Depreciated	<u>13,937,885</u>	<u>2,519,489</u>	<u> </u>	<u>16,457,374</u>
Less: Accumulated Depreciation:				
Interceptor	<u>(8,822,208)</u>	<u>(365,244)</u>	<u> </u>	<u>(9,187,452)</u>
Total Accumulated Depreciation	<u>(8,822,208)</u>	<u>(365,244)</u>	<u> </u>	<u>(9,187,452)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,115,677</u>	<u>2,154,245</u>	<u> </u>	<u>7,269,922</u>
Capital Assets, Net	<u>\$6,832,592</u>	<u>\$2,956,819</u>	<u>\$2,519,489</u>	<u>\$7,269,922</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 6. PREMIUM ON BONDS PAYABLE

The Authority received premiums of \$49,656 in connection with the issuance of the Series 2015A-1 NJ Environmental Infrastructure Trust bonds. This premium is being amortized over the life of the bonds using the straight-line method. The unamortized balance of this premium is shown on the Statement of Net Position as a Deferred Inflow of Resources.

NOTE 7. BONDS PAYABLE

On September 6, 2012, the Authority issued \$4,195,000 of Sewer Revenue Refunding Bonds (2012 Series N). The Bonds bear interest from 3.00% to 4.00% depending upon their maturity and have a final maturity of December 1, 2021. The bonds yields range from 1.100% to 2.720% providing a net original issuance premium of \$225,574 over the \$4,195,000 par amount of the Bonds and an underwriter's discount of \$25,170 yielding net proceeds of \$4,395,404.

The proceeds of the 2012 Series N Bonds have been used to currently refund all of the \$475,000 aggregate outstanding principle amount of the Authority's Sewer Revenue Bonds (1996 Series L) and all of the \$4,020,000 aggregate principal amount of the Authority's callable Sewer Revenue Refunding Bonds (2002 Series M) and pay the costs and expenses in connection with the issuance of the Bonds. The refunding resulted in a deferred loss on the refunding (difference between the reacquisition price and the net carrying amount of the old debt) of \$796,364 including \$555,244 of unamortized difference related to the 2002 defeasance transaction described above. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized over the life of the bonds using the straight-line method.

On December 1, 2021 the Authority paid the final principal and interest payment on the 2012 Series N Bonds and the bonds are now retired.

On May 27, 2015, the Authority issued \$1,225,176 Subordinate Bonds Series 2015A-1 and \$390,000 Subordinate Bonds Series 2015B-1 to the State of New Jersey Environmental Infrastructure Trust. The Series 2015A-1 and 2015B-1 Bonds were issued to evidence a loan from the New Jersey Environmental Infrastructure Trust, and a 0% loan from the State of New Jersey. The bonds were issued to make various capital improvements to the Authority's wastewater system.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 7. BONDS PAYABLE, (continued)

The following is a summary of the Authority's long-term debt transactions for the fiscal years ended October 31, 2022 and 2021:

	Principal Balance <u>10/31/21</u>	Issued <u>FY 2022</u>	Retired <u>FY 2022</u>	Balance <u>10/31/22</u>	Principal Amount Due Within <u>One Year</u>
2012 Series N	\$200,000	\$	\$200,000	\$0	\$0
2015 Series A-1	853,248		65,635	787,613	65,634
2015 Series B-1	<u>300,000</u>	<u> </u>	<u>20,000</u>	<u>280,000</u>	<u>20,000</u>
	<u>\$1,353,248</u>	<u>\$</u>	<u>\$285,635</u>	<u>\$1,067,613</u>	<u>\$85,634</u>

	Principal Balance <u>10/31/20</u>	Issued <u>FY 2021</u>	Refunded/ Retired <u>FY 2021</u>	Balance <u>10/31/21</u>	Principal Amount Due Within <u>One Year</u>
2012 Series N	\$390,000	\$	\$190,000	\$200,000	\$200,000
2015 Series A-1	918,883		65,635	853,248	65,635
2015 Series B-1	<u>315,000</u>	<u> </u>	<u>15,000</u>	<u>300,000</u>	<u>20,000</u>
	<u>\$1,623,883</u>	<u>\$</u>	<u>\$270,635</u>	<u>\$1,353,248</u>	<u>\$285,635</u>

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PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 7. BONDS PAYABLE, (continued)

Net interest expense on bonds, including amortization of deferred losses on refundings, is comprised of the following:

	<u>2022</u>	<u>2021</u>
2012 Series N Bonds	\$667	\$8,633
2015 Series B-1 Bonds	<u>12,748</u>	<u>13,557</u>
	<u>13,415</u>	<u>22,190</u>
Amortization of Deferred Losses/Gains Resulting from Refunding Transactions:		
2012 Defeasance of Series 1996 L and 2002 M		86,876
Amortization of Bond Premium:		
2012 Series N		(24,608)
2015 Series A-1/B-1	<u>(2,613)</u>	<u>(2,614)</u>
Total Interest Expense (Net)	<u>\$10,802</u>	<u>\$81,844</u>

Aggregate debt service requirements to maturity, including interest expense, are as follows:

<u>Year Ending</u> <u>October 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$85,634	\$12,000	\$97,634
2024	85,635	11,000	96,635
2025	85,634	10,000	95,634
2026	85,635	9,000	94,635
2027	85,634	8,000	93,634
2028-2032	453,173	26,000	479,173
2033-2034	<u>186,268</u>	<u>3,200</u>	<u>189,468</u>
	<u>\$1,067,613</u>	<u>\$79,200</u>	<u>\$1,146,813</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 8. NET POSITION – RESTRICTED AND UNRESTRICTED

The Authority's net position include the following reserves, each of which is fully funded with the trustee, and unrestricted net position:

	<u>2022</u>	<u>2021</u>
Invested in Capital Assets -		
Net of Related Debt	<u>\$5,772,675</u>	<u>\$5,868,960</u>
Restricted:		
Bond Reserve Fund		208,000
Renewal and Replacement Fund		300,000
Debt Service Reserve Fund		183,333
Operating Reserve Fund		1,187,454
Unexpended Construction funds		<u>92,989</u>
Subtotal Restricted	<u>-0-</u>	<u>1,971,776</u>
Unrestricted:		
Designated	4,879,502	4,006,754
Undesignated	<u>6,045,959</u>	<u>3,916,626</u>
Subtotal Unrestricted	<u>10,925,461</u>	<u>7,923,380</u>
	<u>\$16,698,136</u>	<u>\$15,764,116</u>

NOTE 9. DESIGNATION OF UNRESTRICTED NET POSITION

The Authority's Unrestricted Net Position – Designated at October 31, 2022 and 2021 includes the following amounts:

<u>Purpose</u>	<u>2022</u>	<u>2021</u>
Capital Reserve	\$3,184,728	\$3,084,728
Operating Reserve	550,245	550,245
Bond Service Reserve	211,000	211,000
Insurance Reserve	20,000	20,000
TBSA User Charge Reserve	97,708	97,708
Renewal and Replacement	806,859	
Series 2012 N Arbitrage Rebate Reserve	<u>8,962</u>	<u>43,073</u>
	<u>\$4,879,502</u>	<u>\$4,006,754</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
OCTOBER 31, 2022 AND 2021

NOTE 10. SHARED SERVICES AGREEMENT – BOROUGH OF BUTLER

On January 17, 2018, by Resolution No. R-18-1-4, the Authority approved a Shared Services Agreement by and between the Borough of Butler and the Pequannock River Basin Regional Sewerage Authority (the "Agreement").

Under the Agreement dated January 18, 2018, the Borough of Butler consented to provide the services of a part time employee for Year 1 and Year 2 of the Agreement and a full time employee in Year 3 for a total 10 year term to serve as Authority Administrator.

The Agreement provides that the Borough of Butler will retain the Authority Administrator as an employee of the Borough. The Agreement further provides that the Authority will reimburse the Borough for all expenses incurred related to the Authority Administrator position.

NOTE 11. COMMITMENTS AND CONTINGENCIES

The Authority's management and attorney has informed us that they are unaware of any other commitments and contingencies that would have a material effect on the financial statements.

NOTE 12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through February 2, 2023, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

Supplementary Schedules

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH,
CASH EQUIVALENTS AND INVESTMENTS
RESTRICTED AND UNRESTRICTED ACCOUNTS

	Operating Fund	Revenue Fund	General Fund	Bond Service Fund
CASH, CASH EQUIVALENTS AND INVESTMENTS, NOVEMBER 1, 2021	<u>\$ (957,031)</u>	<u>\$ 5,136,842</u>	<u>\$ 4,690,621</u>	<u>\$ 214</u>
<u>CASH RECEIPTS:</u>				
Interest on Investments		48,364	18,178	1
Service Contracts-Municipal		5,382,817		
Other		170		
Transfer From:				
Revenue Fund	5,081,459		100,000	
General Fund		4,714,444		
Bond Reserve - FDA		10,147		
Bond Reserve Fund		621		
Renewal & Replacement Fund		808,147		
Construction Fund		57,442		
Bond Service Fund		215		
Bond Service Fund (Principal)		204,917		
Bond Service Fund (Interest)		4,056		
NJEIT Debt Service Fund		4,603		
	<u>5,081,459</u>	<u>11,235,943</u>	<u>118,178</u>	<u>1</u>
<u>CASH DISBURSEMENTS:</u>				
Operations	4,114,714			
Bond Principal				
Interest on Bonds				
Project Expenses				
Transfers To:				
Operating Account		5,081,459		
Revenue Fund			4,714,444	215
Renewal & Replacement Fund		500,000		
General Fund		100,000		
NJEIT Debt Service Fund			94,355	
Bond Service Fund (Principal)		83,334		
Bond Service Fund (Interest)		2,134		
	<u>4,114,714</u>	<u>5,766,927</u>	<u>4,808,799</u>	<u>215</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, OCTOBER 31, 2022	<u>\$ 9,714</u>	<u>\$ 10,605,858</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Analysis of Balance:</u>				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>9,714</u>	<u>10,605,858</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,714</u>	<u>\$ 10,605,858</u>	<u>\$ -</u>	<u>\$ -</u>
 Cash and Cash Equivalents	 \$ 9,714	 \$ 6,002,320	 \$ -	 \$ -
Investments	<u>-</u>	<u>4,603,538</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,714</u>	<u>\$ 10,605,858</u>	<u>\$ -</u>	<u>\$ -</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH,
CASH EQUIVALENTS AND INVESTMENTS
TRUSTEE RESTRICTED AND UNRESTRICTED ACCOUNTS

	2012 Series N Interest	2012 Series N Principal	Bond Reserve Fund	Bond Reserve Forward Delivery
CASH, CASH EQUIVALENTS AND INVESTMENTS, NOVEMBER 1, 2021	\$ 1,865	\$ 118,581	\$ 618	\$ 208,001
<u>CASH RECEIPTS:</u>				
Interest on Investments	57	3,002	3	6,146
Service Contracts-Municipal				
Other				
Transfer From:				
Revenue Fund	2,134	83,334		
General Fund				
Bond Reserve - FDA	4,000	200,000		
Bond Reserve Fund				
Renewal & Replacement Fund				
Construction Fund				
Bond Service Fund				
Bond Service Fund (Principal)				
Bond Service Fund (Interest)				
NJEIT Debt Service Fund				
	<u>6,191</u>	<u>286,336</u>	<u>3</u>	<u>6,146</u>
<u>CASH DISBURSEMENTS:</u>				
Operations				
Bond Principal		200,000		
Interest on Bonds	4,000			
Project Expenses				
Transfers To:				
Operating Account				
Revenue Fund	4,056	204,917	621	10,147
Renewal & Replacement Fund				
General Fund				
NJEIT Debt Service Fund				
Bond Service Fund (Principal)				200,000
Bond Service Fund (Interest)				4,000
	<u>8,056</u>	<u>404,917</u>	<u>621</u>	<u>214,147</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, OCTOBER 31, 2022	\$ -	\$ -	\$ -	\$ -
<u>Analysis of Balance:</u>				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH
CASH EQUIVALENTS AND INVESTMENTS
TRUSTEE RESTRICTED AND UNRESTRICTED ACCOUNTS

	Renewal and Replacement Fund	Const. Fund 2013 Project	NJEIT Debt Service	Total
CASH, CASH EQUIVALENTS AND INVESTMENTS, NOVEMBER 1, 2021	<u>\$ 304,480</u>	<u>\$ 92,989</u>	<u>\$ 8,645</u>	<u>\$ 9,605,825</u>
<u>CASH RECEIPTS:</u>				
Interest on Investments	3,667	270	237	79,925
Service Contracts-Municipal				5,382,817
Other				170
Transfer From:				
Revenue Fund	500,000			5,766,927
General Fund			94,355	4,808,799
Bond Reserve - FDA				214,147
Bond Reserve Fund				621
Renewal & Replacement Fund				808,147
Construction Fund				57,442
Bond Service Fund				215
Bond Service Fund (Principal)				204,917
Bond Service Fund (Interest)				4,056
NJEIT Debt Service Fund				4,603
	<u>503,667</u>	<u>270</u>	<u>94,592</u>	<u>17,332,786</u>
<u>CASH DISBURSEMENTS:</u>				
Operations				4,114,714
Bond Principal			85,634	285,634
Interest on Bonds			13,000	17,000
Project Expenses		35,817		35,817
Transfers To:				
Operating Account				5,081,459
Revenue Fund	808,147	57,442	4,603	5,804,592
Renewal & Replacement Fund				500,000
General Fund				100,000
NJEIT Debt Service Fund				94,355
Bond Service Fund (Principal)				283,334
Bond Service Fund (Interest)				6,134
	<u>808,147</u>	<u>93,259</u>	<u>103,237</u>	<u>16,323,039</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, OCTOBER 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,615,572</u>
<u>Analysis of Balance:</u>				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	10,615,572
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,615,572</u>
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,012,034</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,603,538</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,615,572</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED OCTOBER 31, 2022
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED OCTOBER 31, 2021

	<u>2022</u> <u>Budget</u>	<u>2022 Budget</u> <u>(As Amended)</u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>
<u>REVENUE:</u>				
Net Position Utilized	\$	\$	\$	\$
Service Contracts with Municipalities	5,500,000	5,382,817	5,382,817	5,116,469
Interest on Investments	10,000	10,000	99,786	9,602
Application Fees	100	100		100
TOTAL OPERATING REVENUES	5,510,100	5,392,917	5,482,603	5,376,171
<u>EXPENSES:</u>				
Operations and Maintenance Expenses:				
Professional Services	110,000	110,000	60,200	77,873
Contract Services	356,500	356,500	293,446	203,296
State and Federal Compliance	7,000	7,000	1,612	1,740
Two Bridges Sewerage Authority	2,620,000	2,302,817	2,225,895	2,519,836
Total Operating Expenses	3,093,500	2,776,317	2,581,153	2,802,745
Administrative and General Expenses:				
Professional Services	260,000	260,000	210,796	198,927
Insurance	28,500	28,500	26,318	24,209
Office Expenses	15,500	15,500	12,907	16,045
Professional Expenses	9,500	9,500	7,192	7,631
Financial Services	8,000	8,000	37,364	3,670
Two Bridges Sewerage Authority	272,000	272,000	211,876	223,242
Total Administrative and General Expenses	593,500	593,500	506,453	473,724

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED OCTOBER 31, 2022
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED OCTOBER 31, 2021

SCHEDULE 2
Page 2 of 2

	<u>2022 Budget</u>	<u>2022 Budget (As Amended)</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Debt Service:				
Bond Principal	835,635	835,635	835,635	820,635
Interest on Bonds	<u>587,465</u>	<u>587,465</u>	<u>514,753</u>	<u>526,518</u>
Total Debt Service	<u>1,423,100</u>	<u>1,423,100</u>	<u>1,350,388</u>	<u>1,347,153</u>
Reserves:				
Renewal & Replacement Fund	300,000	500,000	500,000	125,000
Capital Reserve Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>275,000</u>
Total Reserves	<u>400,000</u>	<u>600,000</u>	<u>600,000</u>	<u>400,000</u>
TOTAL COSTS FUNDED BY OPERATING REVENUE	<u>5,510,100</u>	<u>5,392,917</u>	<u>5,037,994</u>	<u>5,023,622</u>
EXCESS	<u>\$</u>	<u>\$</u>	<u>\$ 444,609</u>	<u>\$ 352,549</u>
Reconciliation of Budgetary Basis				
To Change in Net Position:				
Depreciation Expense			(398,837)	(365,244)
Amortization of Bond Premium			2,613	27,222
Amortization of Deferred Gain/Loss on Early Extinguishment of Debt				(86,876)
Renewal & Replacement Appropriation			500,000	125,000
Capital Reserve Fund Appropriation			100,000	275,000
Net Position Utilized				(250,000)
TBSA Debt Service Principal			(550,000)	(550,000)
Bond Principal Payments			<u>835,635</u>	<u>820,635</u>
Total Adjustments			<u>489,411</u>	<u>(4,263)</u>
Change in Net Position			<u>934,020</u>	<u>348,286</u>

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF BONDS PAYABLE
OCTOBER 31, 2022

	<u>Original</u>		<u>Interest</u>	<u>Maturities</u>		<u>Balance</u>	<u>Issued</u>	<u>Redeemed or</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>	<u>Amount</u>	<u>Nov. 1, 2021</u>		<u>Retired</u>	<u>Oct. 31, 2022</u>
2012 Series N	9/6/2012	\$ 4,195,000	4.000%						
						200,000		200,000	-
New Jersey Environmental Infrastructure Trust - Series 2015A	5/28/2015	\$ 390,000	5.000%	8/1/2023	20,000				
			5.000%	8/1/2024	20,000				
			5.000%	8/1/2025	20,000				
			5.000%	8/1/2026	20,000				
			4.000%	8/1/2027	20,000				
			4.000%	8/1/2028	25,000				
			4.000%	8/1/2029	25,000				
			4.000%	8/1/2030	25,000				
			4.000%	8/1/2031	25,000				
			4.000%	8/1/2032	30,000				
			4.000%	8/1/2033	25,000				
				8/1/2034					
						300,000		20,000	280,000

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF BONDS PAYABLE
OCTOBER 31, 2022

	<u>Original</u>		<u>Interest Rate</u>	<u>Maturities</u>		<u>Balance Nov. 1, 2021</u>	<u>Issued</u>	<u>Redeemed or Retired</u>	<u>Balance Oct. 31, 2022</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>				
State of NJ - Fund Loan - Series 2015A	5/28/2015	1,225,176	0.000%	2/1/2023	21,878				
			0.000%	8/1/2023	43,756				
			0.000%	2/1/2024	21,879				
			0.000%	8/1/2024	43,756				
			0.000%	2/1/2025	21,878				
			0.000%	8/1/2025	43,756				
			0.000%	2/1/2026	21,879				
			0.000%	8/1/2026	43,756				
			0.000%	2/1/2027	21,878				
			0.000%	8/1/2027	43,756				
			0.000%	2/1/2028	21,879				
			0.000%	8/1/2028	43,756				
			0.000%	2/1/2029	21,878				
			0.000%	8/1/2029	43,756				
			0.000%	2/1/2030	21,879				
			0.000%	8/1/2030	43,756				
			0.000%	2/1/2031	21,878				
			0.000%	8/1/2031	43,756				
			0.000%	2/1/2032	21,879				
			0.000%	8/1/2032	43,756				
			0.000%	2/1/2033	21,878				
			0.000%	8/1/2033	43,756				
			0.000%	2/1/2034	21,878				
			0.000%	8/1/2034	43,756				
						853,248		65,635	787,613
						1,353,248	-	285,635	1,067,613
GRAND TOTALS									
						285,635			85,634
						1,067,613			981,979
						1,353,248			1,067,613
Analysis of Balance:									
Current Portion									
Long-Term Portion									

Analysis of Balance:
Current Portion
Long-Term Portion

ROSTER OF OFFICIALS

The following officials were in office during the period under audit:

Raymond Verdonik	Chairman (1), (2)	Borough of Butler
Robert Voorman	Vice Chairman (1), (2)	Borough of Bloomingdale
Edwin Howard	Secretary (1)	Borough of Bloomingdale
James P. Lampmann	Treasurer/Asst. Secretary (1)	Borough of Butler
Sean Mabey	Commissioner (1)	Borough of Kinnelon
Paul Metcalfe	Commissioner (1)	Borough of Kinnelon
Dave Desai	Commissioner (1)	Borough of Riverdale
Vincent Pellegrini	Commissioner (1)	Borough of Riverdale
CP Engineers NJ, LLC	Consulting Engineers	
Maraziti & Falcon, LLP	General Counsel	
Wielkottz & Company, LLC	Auditors	
U.S. Bank	Trustee	
Hawkins, Delafield & Wood	Bond Counsel	

(1) All Authority Commissioners are covered by an Employment Practices Liability Policy in the amount of \$1,000,000 per occurrence/\$3,000,000 aggregate issued by the Cincinnati Indemnity Insurance Company expiring June 23, 2023.

(2) Also serves as PRBRSA Member on the Two Bridges Sewerage Authority.



WIELKOTZ & COMPANY ^{LLC}

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Chairman and Members of the
Pequannock River Basin Regional Sewerage Authority
Butler, NJ 07405

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Pequannock River Basin Regional Sewerage Authority, as of and for the year ended October 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2023.

Internal Control Over Financial Reporting

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

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



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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

February 2, 2023



PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

GENERAL COMMENTS

N.J.S.A. 40A:11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law."

The governing body has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Authority's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No violations were discovered.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
COMMENTS AND RECOMMENDATIONS
YEAR ENDED OCTOBER 31, 2022

COMMENTS

There were no comments for the fiscal year ended October 31, 2022.

RECOMMENDATIONS

There were no recommendations for the fiscal year ended October 31, 2022.

We wish to thank Pequannock River Basin Regional Sewerage Authority for their cooperation during the performance of our audit.

Very truly yours,

Wielkots & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants