

**THE SOMERSET RARITAN VALLEY
SEWERAGE AUTHORITY**

BRIDGEWATER, NJ 08807

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**REPORT OF AUDIT ON THE FINANCIAL STATEMENTS FOR
THE YEARS ENDED**

DECEMBER 31, 2022 and 2021



Prepared by:

Finance Department

**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022
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**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
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INTRODUCTORY SECTION



The
Somerset Raritan Valley
Sewerage Authority

October 6, 2023

To the Board of Commissioners, Ratepayers of the Somerset Raritan Valley Sewerage Authority and all Other Interested Stakeholders:

State law (N.J.S.A. 40A:5A-15) requires all local authorities to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Somerset Raritan Valley Sewerage Authority for the fiscal year ended December 31, 2022.

This report consists of management's representations concerning the finances of the Somerset Raritan Valley Sewerage Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Somerset Raritan Valley Sewerage Authority has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Somerset Raritan Valley Sewerage Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Somerset Raritan Valley Sewerage Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Somerset Raritan Valley Sewerage Authority's financial statements have been audited by Suplee, Clooney and Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the comparative financial statements of the Somerset Raritan Valley Sewerage Authority for the fiscal year ended December 31, 2021 & 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Somerset Raritan Valley Sewerage Authority's comparative financial statements for the fiscal year ended December 31, 2021 & 2022 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Somerset Raritan Valley Sewerage Authority's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Somerset Raritan Valley Sewerage Authority is a public body politic and corporate, organized and existing under the Sewerage Authorities Law, constituting Chapter 138 of the P.L. 1946 of the State of New Jersey approved April 23, 1946 and the acts amendatory thereof or supplemental thereto, and was created by virtue of parallel ordinances adopted by the respective governing bodies of the participants adopted September 21, 1953. The Authority is nestled in Bridgewater, which is part of Somerset County of New Jersey. The Authority is a Regional Sewerage Authority providing sewerage treatment and disposal to the Boroughs of Raritan, Somerville and Manville, the Townships of Bridgewater, Branchburg, Hillsborough, and Warren, and industrial participants – Pfizer, Duke Farms and Denver Road, LLC. Also, Millstone Borough is in the process of becoming an indirect customer to the Authority. The Authority provides sewage treatment services to 74,923 Equivalent Dwelling Units throughout this regional area as of December 31, 2022.

The Somerset Raritan Valley Sewerage Authority is governed by a Board of Commissioners who has vested powers for policy making and making decisions in the best interests of the Authority. The Board of Commissioners convenes every month, with notification made to the public in advance in accordance with the Open Public Meetings Act, to discuss issues related to the Somerset Raritan Valley Sewerage Authority. The Board of Commissioners is composed of two representatives from each of the seven contributing townships and boroughs and each Commissioner serves a five year term with no limit on successive terms in office.

The annual budget serves as the foundation for the Somerset Raritan Valley Sewerage Authority's financial planning and control. In accordance with N.J.A.C. 5:31-2.1 each budget includes an operations section, capital budget section and supplemental schedules and necessary certifications relating thereto. The Director of the Division of Local Government Services within the New Jersey Department of Community Affairs must certify that the approved Budget complies with the requirements of law and the rules and regulations of the Local Finance Board pursuant to N.J.S. 40A:5A-11. Please refer to Note #3 to the Financial Statements for additional information on the budget as well as our adopted budget found on our website - <http://srvsa.org/>.

Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Somerset Raritan Valley Sewerage Authority operates.

General Operating Environment:

The following information was provided by the United States Bureau of the Census. The Somerset Raritan Valley Sewerage Authority is located within Somerset County.

The population of Somerset County was 346,875 based on the 2020 census rolled forward to 2022. The population that the Authority provides services to is difficult to calculate with precision but generally the Authority serves between 125,000 and 155,000 residents. The most recent median household income figure for Somerset County was \$121,695 for the year 2021. The annual average unemployment rate within Somerset County was 3.1%, which is below the average state unemployment rate of 3.7% for the 2022 calendar year. Fortunately, due to the waning effects of the Coronavirus pandemic unemployment has decreased in Somerset County from 7.5% in 2020 to 3.1% in 2022.

The Authority has a solid revenue base due to the strong and stable demand for services. The Authority provides sewerage treatment and disposal to municipal participants and industrial customers. Annual service charges are based on each participant's flow into the system and are the primary revenue generator. The Authority accepts septic tank waste, gray water and sludge from other facilities and this provides additional revenues. Please refer to the statistical section for further information on flows and charges.

The Authority has an assured minimum charge for each participant except Pfizer and Duke Farms with sewerage flow into the plant that insulates the facility against a decline in operating revenue.

Capital Additions & Improvements

The Somerset Raritan Valley Sewerage Authority continues to invest resources for improvements to the facility and expanding sewerage treatment conveyance capacity. Additional projects are planned for the future with funding derived from dedicated revenue sources or long term debt which may be financed through New Jersey Environmental Infrastructure Loans. The Authority does financial planning to carefully evaluate future cash flow needs, capital projects and impacts on the budget. Further information on capital construction can be found in the Management Discussion & Analysis portion of the Financial Section of this Comprehensive Financial Report.

Debt Service Outlook

The amount of money needed to pay back debt increased substantially for calendar year 2022 to \$2.65 million in annual debt service from \$1.85 million in 2021. The 2023 adopted budget appropriated \$3.3 million for debt service as the debt load was anticipated to increase in 2023 due to the budgeting of debt repayment associated with the cost of construction of the Plantwide Electrical Rehabilitation Project. The Authority has established and funded in prior years a capital project reserve to mitigate the increased debt service associated with debt incurred for new capital improvement. The State of NJ Clean Water Revolving Fund granted us 1/2 of the cost of this project interest free. Also, Somerset County, NJ granted us \$3.8 million of the County's allocation of American Rescue Plan Act federal

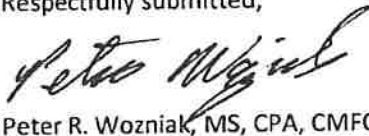
stimulus for the purpose of Relocating our Storm Control Pump Station to higher ground elevation. Please refer to notes to financial statements #5 Loans Payable for more information on terms of borrowing.

The Authority expects to time the financing of a portion of needed capital projects with new long-term borrowings that coincide with debt retirements. This is exemplified by the retirement of debt associated with the Comprehensive Strategic Plan Upgrades and the addition of debt related to the Storm Control Treatment Facility and Plantwide Electrical Rehabilitation Project which were added for 2022. Consequently, the Somerset Raritan Valley Sewerage Authority anticipates financial stability and is well positioned to fund capital additions and improvements while ensuring a healthy balance of debt burden and operating expenses in the annual budget.

Cash management

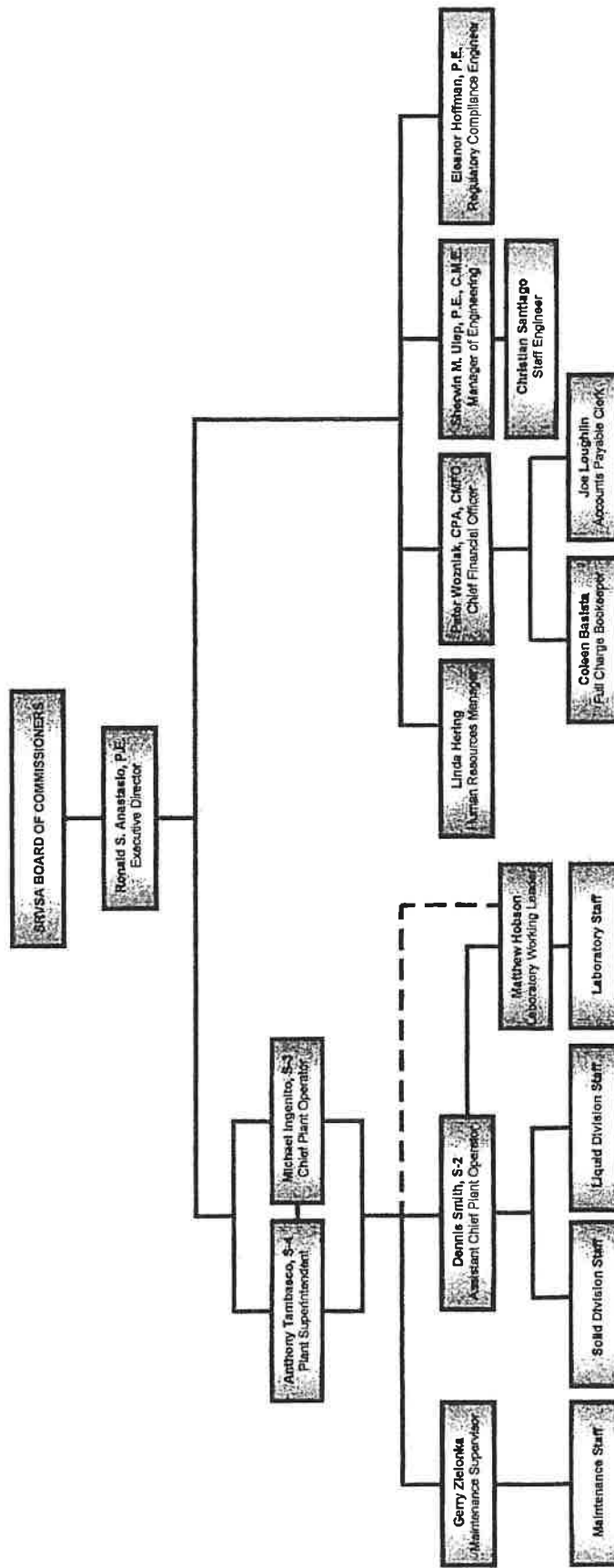
The cash available to the Somerset Raritan Valley Sewerage Authority at any given time is invested in obligations of the U.S. Treasury and interest bearing savings and checking accounts. Somerset Raritan Valley Sewerage Authority must invest and deposit funds pursuant to a cash management plan that complies with Local Fiscal Affairs Law (N.J.S.A. 40A:5-1). When New Jersey banks are referred to in the law, it means those approved by the Department of Banking and Insurance under the Government Unit Depository Protection Act. Our return on available cash is among the top cash management programs for environmental authorities in the State of New Jersey. For more information on cash management please refer to Note #4 of the Financial Statements.

Respectfully submitted,



Peter R. Wozniak, MS, CPA, CMFO, QPA
Chief Financial Officer

Somerset Raritan Valley Sewerage Authority 2022 Organization Chart



**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
BOARD OF COMMISSIONERS AND EXECUTIVE DIRECTOR
DECEMBER 31, 2022**

Michael Impellizeri - Manville	Chairman
Joseph J. Lifrieri – Bridgewater	Vice-Chairman
Peter Stires - Somerville	Secretary
Robert Albano - Bridgewater	Member
Louis Esposito, Jr. – Warren	Member
Edward J. Machala - Raritan	Member
Richard Mathews - Somerville	Member
Michael Pappas – Branchburg	Member
Philip E. Petrone - Manville	Member
Reinhardt Pratt - Branchburg	Member
Randy Smith – Hillsborough	Member
Ronald S. Anastasio	Executive Director

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Somerset Raritan Valley
Sewerage Authority
50 Polhemus Lane
Bridgewater, New Jersey 08807

Report on the Financial Statements

We have audited the accompanying financial statements of the Somerset Raritan Valley Sewerage Authority, which comprises the statements of net position as of December 31, 2022 and 2021 and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Somerset Raritan Valley Sewerage Authority, for the years ended December 31, 2022 and 2021, and the results of its operations and its 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 and the standards applicable to financial audits contained in *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 Somerset Raritan Valley 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.

SUPLEE, CLOONEY & COMPANY

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Somerset Raritan Valley Sewerage Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

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

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

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis and the schedules related to accounting, reporting for pensions in Schedule R-1 through R-3, and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Schedule S-1 through S-3 are 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Somerset Raritan Valley Sewerage Authority's basic financial statements. The financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary data schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 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 data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023 on our consideration of the Somerset Raritan Valley 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 Somerset Raritan Valley Sewerage Authority's internal control over financial reporting and compliance.

October 6, 2023





SUPLEE, CLOONEY & COMPANY

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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 BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Somerset Raritan Valley
Sewerage Authority
50 Polhemus Lane
Bridgewater, New Jersey 08807

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Somerset Raritan Valley Sewerage Authority as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Somerset Raritan Valley Sewerage Authority's financial statements, and have issued our report thereon dated October 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somerset Raritan Valley Sewerage Authority's internal control over financial reporting (internal control) as a basis for designing 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 Somerset Raritan Valley Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Somerset Raritan Valley 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.

SUPLEE, CLOONEY & COMPANY

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 Somerset Raritan Valley Sewerage Authority's financial statements are free from 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.

October 6, 2023



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MANAGEMENT DISCUSSION & **ANALYSIS**

Management's Discussion and Analysis

In this section of the annual report, management of The Somerset Raritan Valley Sewerage Authority (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended December 31, 2022 and 2021. This section of the report should be read in conjunction with the Authority's basic financial statements and supplementary information for the years ended December 31, 2022 and 2021. The Authority's audited basic financial statements are presented in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis is required supplementary information of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee Clooney & Company is included in this report.

Financial Highlights

At December 31, 2022 total net position was \$59.3 million which is an increase from the prior year of about \$2.0 million. The reason for the increase was that the Authority's revenue exceeded expenses by about \$2.0 million when considering non-operating revenue and expense along with depreciation and amortization. The Authority recorded unbudgeted expenses of about \$4.3 million in depreciation and amortization. Applying Generally Accepted Governmental Accounting of GASB #68 pension accounting resulted in a net benefit (reduction of expenses) to the Authority for 2022 in the amount of about \$593 thousand. Applying GASB #75 Other Post Employment Benefits other than pensions lowered expense recognition for retiree healthcare by about \$302 thousand. The contractual OPEB expense paid according to State Health Benefit Program as well as Medicare Part B reimbursements was about \$443 thousand. GASB #75 accounting, which is only recognized for accrual accounting and financial reporting purposes reduced OPEB expense to \$140 thousand.

Total revenue earned by the Authority during 2022 was about \$20.3 million, consisting of about \$19.6 million earned from operating activities and \$751 thousand earned on cash management investments and other interest earning activities. Comparatively, during 2021 total revenue earned by the Authority was about \$19.2 million comprised of \$18.9 million earned from operating activities and \$320 thousand earned from investments. During 2022 revenue increased generally because we recovered about \$1 million from property insurance proceeds attributed to Tropical Storm IDA which inundated the Authority with floodwater Labor Day weekend 2021. Also, increasing interest rates throughout 2022 propelled investment income higher by about \$430 thousand from the prior year. Please refer to Schedule #3 (Page 67) and Statistical Section (Page #72-76) for a detailed breakdown and long-term trends in revenue, billing rates and rainfall.

The expenses incurred by the Authority for 2022 were about \$18.3 million. Operating expenses were \$12.9 million, depreciation & amortization was about \$4.4 million, interest expense on debt was about \$502 thousand and bond issuance expenses were about \$477 thousand. Total operating expenses, exclusive of interest & depreciation, increased about \$950 thousand when compared with 2021 due primarily to a \$373 thousand increase in personnel costs, \$452 thousand increase in electricity power and \$81 thousand increase in insurance premiums. Maintenance costs associated with the new Storm Control Treatment Facility and the costs to repair electrical and electronic equipment associated with the Storm Control Pump Station were largely responsible for the increased maintenance spending compared to the prior year. Please

refer to Schedule #3 of the Other Supplementary Information Schedules for more detailed information regarding expenses.

Overall cash and cash equivalents in the bank increased about \$765 thousand during the year 2022. The increase in cash balance indicates on a cash basis that cash deposited was more than disbursements. Cash increased because of a combination of effects from a wide variety of reasons but unanticipated revenue from prior year flood costs from insurance and FEMA as well as interest earnings over budget were significant positive factors. Other positive factors such as underspending operating appropriations and robust connection fee revenue of \$1.7 million increased cash balances. Conversely, the prior year (2021) participant actual flow bill credits decreased cash inflow about \$1.2 million (See page #25). The aggregate result is cash in the bank increased about \$765 thousand as previously mentioned. The authority has enough liquidity to protect itself from having potential cash flow problems in the near future thus ensuring debts will be paid when presented for payment. Please refer to Note # 4 to the Financial Statements for a breakdown of deposits. Also, Schedule #2 of the Other Supplementary Information Schedules offers detail on changes in cash receipts and disbursements for each major fund.

The Authority finalized completion of the Storm Control Treatment Facility (auxiliary plant designed to provide adequate conveyance capacity during wet weather) construction project during 2022 with about \$33.1 million of project costs to be depreciated over the estimated life of 30 years. Also, about \$5.7 million in project costs were added to capital assets related to the rehabilitation of the plantwide electrical infrastructure which is complete and is being depreciated over 30 years to match estimated life and bonding term. Both projects were nearly fully financed by the New Jersey Infrastructure Bank and State of NJ Clean Water Fund.

In addition to these two major capital projects, the Authority used capital funds on hand to inspect the condition of a force main leading to the Authority and repair Blower #1 from damage related to Tropical Storm Ida. Operating Budget funds were used to inspect the electrical switch gear and purchase power meters. Further Authority staff improved disinfection by replacing hypochlorite pump & related variable frequency drives and valve appurtenances for the pumps, replaced the roof on the administration building, purchased several pump rotating assemblies of different size and primary function, purchased and replaced the tertiary expansion joint for sludge incinerator #2 and emergency welded the top of the reactor after displacement. In addition to these projects attributed to sludge incinerator #2, the Authority purchased a new variable frequency drive for the fluidizing air blower as part of many sludge incinerator #2 issues. Also noteworthy is the purchase of a backhoe in 2022 utilizing cooperative purchasing contracts to be used regularly by maintenance staff and the concrete rehabilitation of aeration basin #2 to provide the Authority additional wastewater storage space.

Tropical system Ida impacted the Authority shortly before Labor Day 2021 by inundating our Storm Control Pump Station with floodwater from the Raritan River and destroying much of the electrical equipment and electronic controls inside the pump station. The Authority incurred approximately \$750 thousand of damage however the Authority recovered about \$340 thousand of these costs with our flood insurance company and FEMA and once repairs are complete, we anticipate being made whole by the flood insurance company. The floodwaters also caused significant damage of about \$600 thousand to our main treatment plant on Polhemus Lane. We fully recovered costs to our main treatment plant from our property insurer and Federal Emergency Management Agency.

The Authority had a transition year for capital projects in 2022 as we finished major projects and worked on the preliminary planning and design of a plantwide mechanical rehabilitation, SCADA modernization, relocation of the storm control pump station and rehabilitation of the original interceptor sewer main. Further, the Authority completed extensive repairs to the Influent & Spent Backwash Pumps as well as the Influent Bar Screen. Many other maintenance parts purchases and equipment replacement projects were budgeted and completed during 2022.

Please refer to the Notes to the Financial Statements (Note #9) for more information on fixed assets and the increase in construction in progress associated with the larger projects.

Overview of the Comprehensive Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, and bond resolutions and other management tools were used for this analysis.

The Somerset Raritan Valley Sewerage Authority is considered a special-purpose government engaged only in business type activities for financial reporting purposes. Using the reporting criteria mandated in GASB 34, all funds that cannot be intermingled such as the connection capital account, construction project account, debt service and operating account, are collectively reported under the umbrella of an enterprise fund. A distinction is made in the financial statements where appropriate between the balances of funds in each account.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes to Net Position; a Statement of Cash Flows; and Notes to the financial statements.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. This statement presents information on all of the Authority's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Government Accounting Standards Board (GASB) Statement 68 requires state and local government entities to disclose their unfunded pension liabilities. The Authority participates in the pension plan administered by the State of New Jersey. Although the Authority is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Authority employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. The accounting promulgated by GASB 68 is very conservative and employers have skipped contributions in past years and consequently the Authority's liability was \$6,790,179 as of the last measurement date. Notes to the Financial Statements No. 1, 11 and 12 explain pension plan accounting in greater detail.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present

information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Loans Payable

The Authority borrows money to finance its major projects and improvements. A summary of the Loans Payable activity for the year is as follows:

Loans Payable at 12/31/2021	\$55,423,506
Loans Taken	\$735,436
Scheduled Loan Retirements	\$2,244,400
Loans Payable at 12/31/2022	<u>\$53,914,542</u>

Capital Improvement Plan

The Authority has several capital projects under consideration for the near future. The following is a list of those projects:

Preliminary Planning Phase @ 12/31/22:

Original Interceptor Replacement/Rehabilitation	\$29,100,000
Plantwide Mechanical Rehabilitation	\$31,100,000
Storm Control Pump Station Rehabilitation	\$3,800,000
SCADA Technology Modernization	\$650,000

Future Capital Construction:

Incinerator #2 Refurbishment & Related Equipment	\$5,350,000
Incinerator #1 Rebuild	\$15,750,000
New Administration Building	\$2,000,000
Substation Electrical Component Replacement	\$6,500,000
Plantwide Contaminated Soil Disposal	\$300,000

The Authority anticipates using funds available in restricted capital accounts, money available in unreserved net position, capital grants from the County of Somerset to fund a portion of these projects and to borrow the remainder from the New Jersey Infrastructure Bank. The Authority strives to time the capital improvement plan with the existing debt load and maintain a stable debt service payment and mitigate fluctuations in the user rate. This provides for a robust local economy while ensuring clean water and environmental protection for our service region.

Financial Analysis

The comparative condensed financial statements and other selected information on the following page serve as key financial data and indicators for management, monitoring and planning.

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Chief Financial Officer of The Somerset Raritan Valley Sewerage Authority, 50 Polhemus Lane, Bridgewater, New Jersey 08807-0400 or 732-469-0593 x206.

Somerset Raritan Valley Sewerage Authority

Condensed Financial Statements

Condensed Statement of Net Position

	December 31			Variance (2022-2021)	
	2022	2021	2020	Dollars	%
Assets:					
Cash and Investments	\$ 55,478,835	\$ 54,712,202	\$ 51,510,724	\$ 764,633	1.4%
Property, Plant and Equipment - Net	80,772,594	83,576,185	47,430,110	(2,803,591)	-3.4%
Other Assets	1,281,267	791,729	26,948,852	489,538	61.8%
Deferred Outflows of Resources:					
Pension Related	444,357	285,669	950,333	158,688	55.5%
OPEB Related	3,541,917	3,397,396	3,388,966	144,521	4.3%
Total Assets & Deferred Outflow of Resources	\$ 141,516,970	\$ 142,763,181	\$ 130,228,985	\$ (1,246,211)	-0.9%
Liabilities:					
Current Liabilities	\$ 3,216,357	\$ 3,827,629	\$ 3,293,618	\$ (611,272)	-16.0%
Loans Payable	53,914,542	55,423,506	44,812,131	(1,508,964)	-2.7%
Net Pension Liability	6,790,179	5,496,524	7,612,263	1,293,655	23.5%
Net OPEB Liability	10,335,257	11,255,263	11,022,989	(920,006)	-8.2%
Total Liabilities	\$ 74,256,335	\$ 76,002,922	\$ 66,741,001	\$ (1,746,587)	-2.3%
Deferred Inflows of Resources:					
Pension Related	\$ 1,428,320	\$ 3,724,014	\$ 3,602,678	\$ (2,295,694)	-61.6%
OPEB Related	\$ 6,453,417	\$ 5,691,527	\$ 6,188,071	\$ 761,890	13.4%
Total Liabilities & Deferred Inflow of Resources	\$ 82,138,072	\$ 85,418,463	\$ 76,531,750	\$ (3,280,391)	-3.8%
Net Position:					
Invested in Capital Assets net of Related Liabilities	\$ 29,676,353	\$ 30,598,489	\$ 31,284,012	\$ (922,136)	-3.0%
Reserves	14,766,268	9,464,039	9,035,091	5,302,229	56.0%
Unrestricted	14,936,277	17,282,190	13,378,132	(2,345,913)	13.6%
Total Net Position	\$ 59,378,898	\$ 57,344,718	\$ 53,697,235	\$ 2,034,180	3.5%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 141,516,970	\$ 142,763,181	\$ 130,228,985	\$ (1,246,211)	-0.9%

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	December 31			Variance (2022-2021)	
	2022	2021	2020	Dollars	%
Operating Revenues:					
Service Charges	\$ 15,982,831	\$ 16,327,635	\$ 16,348,973	\$ (344,804)	-2.1%
Septic and Sludge Revenue	613,513	631,382	526,294	(17,869)	-2.8%
Connection Fees	1,727,397	1,677,754	2,015,998	49,643	3.0%
Other	1,260,294	218,611	180,938	1,041,683	476.5%
Total operating revenues	\$ 19,584,035	\$ 18,855,382	\$ 19,072,203	\$ 728,653	3.9%
Operating expenses:					
Operations and Maintenance	\$ 12,857,674	\$ 11,908,115	\$ 11,626,449	\$ 949,559	8.0%
Depreciation & Amortization	4,359,996	3,010,289	2,976,700	1,349,707	44.8%
Total operating expenses	\$ 17,217,670	\$ 14,918,404	\$ 14,603,149	\$ 2,299,266	15.4%
Operating income	\$ 2,366,365	\$ 3,936,978	\$ 4,469,054	\$ (1,570,613)	-39.9%
Non operating (expenses) revenues	\$ (332,185)	\$ (289,495)	\$ 365,769	\$ (42,690)	-14.7%
Change in net position	\$ 2,034,180	\$ 3,647,483	\$ 4,834,823	\$ (1,613,303)	-44.2%
Net Position, Beginning of Year	\$ 57,344,718	\$ 53,697,235	\$ 48,862,412	\$ 3,647,483	6.8%
Net Position, End of Year	\$ 59,378,898	\$ 57,344,718	\$ 53,697,235	\$ 2,034,180	3.5%

BASIC FINANCIAL STATEMENTS

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Restricted Assets:		
Connection Capital Account:		
Cash and Cash Equivalents	\$ 15,016,267.66	\$ 9,714,039.49
<u>TOTAL CURRENT RESTRICTED ASSETS</u>	<u>\$ 15,016,267.66</u>	<u>\$ 9,714,039.49</u>
Current Unrestricted Assets:		
Operating Account:		
Cash and Cash Equivalents	\$ 1,866,158.89	\$ 7,009,271.32
Escrow Funds Held	12,094.50	
Revenue Account:		
Cash and Cash Equivalents	5,281,544.80	4,804,017.82
Accounts Receivable-Septage and Sludge	62,158.00	70,594.00
Accounts Receivable-Industrial Pretreatment Program	137,901.00	78,209.50
Accounts Receivable-Groundwater	4,038.32	5,422.50
Due From Flexible Spending Account	17,912.99	13,283.29
Debt Service Account:		
Cash and Cash Equivalents	311,775.99	332,530.45
Debt Service Reserve Account:		
Cash and Cash Equivalents	1,686,672.81	1,666,892.73
General Account:		
Cash and Cash Equivalents	22,909,394.47	24,489,261.23
Investments	5,891,309.09	
Accounts Receivable-Interest	62,545.00	-
Construction Account:		
Cash and Cash Equivalents	<u>2,501,616.88</u>	<u>6,696,189.07</u>
<u>TOTAL CURRENT UNRESTRICTED ASSETS</u>	<u>\$ 40,745,122.74</u>	<u>\$ 45,165,671.91</u>
Long Term Capital Assets:		
Property, Plant and Equipment	174,407,747.50	173,066,735.53
Intangible Assets	1,164,808.19	1,164,808.19
Less: Accumulated Depreciation	93,694,792.56	89,670,376.08
Less: Accumulated Amortization	1,105,169.60	984,982.70
	<u>\$ 80,772,593.53</u>	<u>\$ 83,576,184.94</u>
Construction in Progress	<u>\$ 996,711.81</u>	<u>\$ 624,219.97</u>
Deferred Outflow of Resources:		
Pension Related	444,357.00	285,669.00
Other Post Employment Charges	<u>3,541,917.43</u>	<u>3,397,395.84</u>
<u>TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 141,516,970.17</u>	<u>\$ 142,763,181.15</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 1,889,391.87	\$ 1,785,359.08
Participant Refunds	368,226.12	1,261,714.18
Accrued Expenses	114,955.36	106,019.39
Escrow Account	12,094.50	-
Pension Contribution Payable	567,393.00	543,373.00
FSA Advance	21,554.38	16,744.96
Interest Payable	242,742.16	114,418.09
Current Portion of Intergovernmental Loans Payable	<u>2,784,154.68</u>	<u>2,182,688.86</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS	\$ <u>6,000,512.07</u>	\$ <u>6,010,317.56</u>
Noncurrent Liabilities:		
Long - Term Interim Construction Loans	\$ -	\$ 4,805,623.00
Long - Term Portion of Intergovernmental Loans	51,130,387.51	48,435,194.01
Net Pension Liability	6,790,179.00	5,496,524.00
Net Other Post Employment Liability	<u>10,335,257.00</u>	<u>11,255,263.00</u>
Total Noncurrent Liabilities	\$ <u>68,255,823.51</u>	\$ <u>69,992,604.01</u>
TOTAL LIABILITIES	\$ <u>74,256,335.58</u>	\$ <u>76,002,921.57</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Related	1,428,320.00	3,724,014.00
Other Post Employment Charges	<u>6,453,417.00</u>	<u>5,691,527.00</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>7,881,737.00</u>	\$ <u>9,415,541.00</u>
Net Position:		
Net Investment in Capital Assets	\$ 29,676,353.00	\$ 30,598,488.89
Restricted:		
Connection Capital	14,766,267.66	9,464,039.49
Unrestricted:		
Debt Service Reserve	1,686,672.81	1,666,892.73
Rate Stabilization	4,984,595.00	4,760,267.00
Reserve for Future Capital Project	7,000,000.00	7,000,000.00
Unrestricted	<u>1,265,009.12</u>	<u>3,855,030.47</u>
TOTAL NET POSITION	\$ <u>59,378,897.59</u>	\$ <u>57,344,718.58</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ <u>141,516,970.17</u>	\$ <u>142,763,181.15</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Service Charges-Participants	\$ 15,982,831.00	\$ 16,327,635.43
Septage and Sludge Dumping Charges	613,513.00	631,381.70
Connection Fees	1,727,397.00	1,677,754.00
Insurance Proceeds	1,032,717.35	
Pretreatment Program	158,856.00	102,867.00
Ground Water Discharge	25,602.90	39,639.37
Review Fees	5,850.00	3,350.00
Miscellaneous Income	<u>37,267.73</u>	<u>72,754.22</u>
TOTAL OPERATING REVENUES	\$ <u>19,584,034.98</u>	\$ <u>18,855,381.72</u>
Operating Expenses Exclusive of Interest and Depreciation	<u>\$ 12,857,674.66</u>	<u>\$ 11,908,115.23</u>
Operating Income Before Interest, Depreciation & Amortization	<u>\$ 6,726,360.32</u>	<u>\$ 6,947,266.49</u>
Depreciation	\$ 4,239,809.18	\$ 2,890,101.63
Amortization	<u>120,186.90</u>	<u>120,186.90</u>
OPERATING INCOME	\$ <u>2,366,364.24</u>	\$ <u>3,936,977.96</u>
Non-Operating Revenue (Expense):		
Interest Earned on Investments	751,360.36	320,028.70
Unrealized Holding Loss on Treasury Notes	(103,389.43)	
Investment Fees	-	(65.00)
Bond Issue Expenses	(477,713.75)	(386,285.35)
Interest Expense - Debt Service	<u>(502,442.41)</u>	<u>(223,172.84)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	\$ <u>(332,185.23)</u>	\$ <u>(289,494.49)</u>
Change in Net Position	<u>\$ 2,034,179.01</u>	<u>\$ 3,647,483.47</u>
Net Position, Beginning of Year	<u>57,344,718.58</u>	<u>53,697,235.11</u>
Net Position, End of Year	<u>\$ <u>59,378,897.59</u></u>	<u>\$ <u>57,344,718.58</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement

EXHIBIT C

THE SOMERSET BARITAN VALLEY SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Participants	\$ 15,089,342.94	\$ 16,321,197.98
Receipts from Septic and Sludge	621,949.00	606,412.95
Receipts from Connections	1,727,397.00	1,677,754.00
Insurance Proceeds	1,032,717.35	
Miscellaneous Receipts	195,504.05	155,052.53
Payments to Suppliers	(8,033,120.88)	(6,700,205.13)
Payments for Personnel Expenses	(6,289,636.25)	(6,243,849.97)
Payment for Bond Administration	(70,541.87)	(42,795.00)
Net Cash Provided By Operating Activities	\$ 4,273,611.34	\$ 5,773,567.36
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
State of NJ - Construction Loan	\$ 686,674.00	\$ 11,845,737.00
Acquisition of Capital Assets	(1,733,608.52)	(12,880,436.47)
State of NJ - DEP Bonding Fee	(372,852.00)	-
Bond Rating Fees	(20,000.00)	-
Principal Payments on Debt	(2,244,400.07)	(1,609,898.85)
Interest Paid on Bonds	(410,217.70)	(247,454.43)
Net Cash Used in Capital and Related Financing Activities	\$ (4,094,404.29)	\$ (2,892,052.75)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	\$ 688,815.36	\$ 320,028.70
Unrealized Treasury Holding Loss	(103,389.43)	-
Investment Fee	-	(65.00)
Net Cash Provided by Investing Activities	\$ 585,425.93	\$ 319,963.70
Net Change in Cash and Cash Equivalents	\$ 764,632.98	\$ 3,201,478.31
Cash and Cash Equivalents, Beginning of Year	54,712,202.11	51,510,723.80
Cash and Cash Equivalents, End of Year	\$ 55,476,835.09	\$ 54,712,202.11
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>		
Operating Income	\$ 2,366,364.24	\$ 3,936,977.96
Depreciation	4,239,809.18	2,890,101.63
Amortization	120,186.90	120,186.90
Changes in operating assets and liabilities:		
Accounts Receivable	(54,501.02)	(63,100.53)
Accounts Payable	(777,360.77)	549,294.38
Accrued Expenses	8,935.97	(31,741.29)
FSA Liability	4,809.42	(2,728.16)
Pension Contribution Payable	24,020.00	32,719.00
GASB 68 Pension Expense Adjustment	(1,160,727.00)	(1,329,739.00)
GASB 75 OPEB Expense Adjustment	(302,637.59)	(272,699.60)
Connection Fund Reimbursement	1,379.20	-
Cash Fixed Asset Capitalization Adjustments	(196,667.19)	(55,703.93)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,273,611.34	\$ 5,773,567.36

The accompanying Notes to Financial Statements are an integral part of this statement

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

Reporting Entity

The Authority's financial statements include the operations of the collection system and wastewater treatment plant for which the Board of Commissioners of the Authority exercises financial accountability. The Authority is considered a joint venture of the participating governments. 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.

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to government entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As permitted by accounting principles generally accepted in the United States of America, the Authority has elected to apply only Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989.

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into investment in capital assets, restricted and unrestricted components.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

The Authority has fully implemented GASB Statement 68, Accounting and Financial Reporting for Pensions which improves information on accountability and inter-period equity of costs related to public employee pensions. Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. In addition, Statement 68 requires Authorities to recognize its proportionate share of the net pension liability in the Statement of Net Position as a separate line item in the Long-Term Liabilities section (Exhibit A). Further, the Authority recognizes its proportionate share of the deferred outflows of resources and deferred inflows of resources for changes in the net pension liability that arise from actuarial, investment or changes in proportion of cost sharing events. The Authority also recognizes its proportionate share of the annual pension expense in the Statement of Revenues, Expenses and Changes in Net Position (Exhibit B) as part of Operating Expenses Exclusive of Interest and Depreciation. Notes to financial statements #11 & #12 provides further required information on the Public Employees Retirement System and Statement 68 funding policy measures and actuarial assumptions.

The Authority has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Furthermore, the Authority has implemented GASB Statement 82, Pension Issues which addresses the presentation of payroll-related measures in required supplementary information. Statement No. 82 amends GASB Statement 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB)

For the year ended December 31, 2018 the Authority implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 was issued with the purpose to provide assessments of accountability and inter-period equity, and creating additional transparency. The accounting and financial presentation of OPEB other than pensions very closely mirror the Statement 68 requirements for pensions stated on the previous page. Notes to financial statements #13 provides the required information on the State Health Benefits Program retirement provisions and Statement 75 funding policy measures and actuarial assumptions. The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

This statement requires Authorities to recognize the annual OPEB expense in the Statements of Revenue, Expenses, Changes in Net Position and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Long-Term Liabilities section of the Statement of Net Position. Furthermore, the Authority has implemented GASB Statement 85, Omnibus 2017. This statement addresses the presentation of payroll-related measures in required supplementary information. Statement No. 85 amends GASB Statement 75 to require that if contributions to the OPEB plan are not based on a measure of pay, no measure of payroll should be presented.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and other post-employment liabilities other than pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify in this category, deferred amounts related to pension and other post-employment liabilities other than pensions.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Authority considers petty cash, change funds, cash in banks, deposits and short-term investments with original maturities of three months or less as cash and cash equivalents. Certificates of Deposit are considered cash equivalents.

Investments

Investments are stated at fair market value. Investment options are restricted to securities specified in N.J.S.A. 40A:5-15.1.

Property, Plant and Equipment

The collection system, plant, facilities and equipment are stated at cost.

Depreciation is determined on a straight-line basis over various economic lives, which are fixed by management.

Management has elected not to include depreciation expense in the service charge rate structure.

Depreciation is provided for over the following estimated useful lives:

Buildings and Improvements	45 years
Treatment Facilities	45 years
Machinery and Equipment	10-20 years
Electronic Equipment	5 years
Furniture and Fixtures	10 years
Vehicles	5 years

The capitalization threshold for capital assets is based on the criteria established by Local Finance Notice CFO-96-13, Accounting for Governmental Fixed Assets. Accordingly, management has established a capitalization level of \$5,000. The capital asset must be nonexpendable, tangible property having a useful life of more than five years.

Inventory

Inventory of supplies are recorded as an expense when purchased and accordingly, are not included in the financial statements.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Expense

Interest payments due February 1, 2023 are reflected in these statements as of December 31, 2022.

Operating Revenues Versus Non-Operating Revenues

Operating revenues are all revenues directly derived from providing sewerage treatment to customers. Non-operating revenues are revenues derived from peripheral business activities.

Operating Expenses Versus Non-Operating Expenses

Operating Expenses are direct expenses necessary to maintain the sewerage system working properly. Non-operating expenses are ancillary expenses such as interest expense that are not directly related to maintain the sewerage system working properly.

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 reporting period. Actual results could differ from those estimates.

Net Position

Equity is classified as net position and displayed in three components:

- 1) Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond indenture), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Connection Capital Account

The Connection Capital Account has been established to receive all connection fees due the Authority. Funds in this account are dedicated to capital projects.

Unrestricted Assets

In accordance with the original Bond Indenture and supplemental resolutions, the Authority established various cash and investment accounts with a trustee. In addition, the Authority segregates assets according to the designated purpose for which they serve.

Revenue Account

The Revenue Account is established by the Bond Indenture to receive all revenues due to the Authority. Periodic withdrawals are made from the Revenue Account to each of the operating and related accounts to provide the financial resources necessary for the other accounts to carry out their required activities.

Operating Account

The Operating Account is used to carry on the operations of the Authority and functions to pay personnel and operating expenses incurred throughout the year.

Junior Lien Debt Service Accounts

The Junior Lien Debt Service Account is used to pay the principal and interest to the bond holders as such obligations come due. The bond indenture requires that the Revenue Account turn over to it the funds required to pay the principal and interest when due (February 1 and August 1). All income earned on investments of the Junior Lien Debt Service Account is turned over to the Revenue Account.

Debt Service Reserve Account

The funding level of the Debt Service Reserve Account is established by Res. No. 19-1028-14 Resolution Designating up to \$2,000,000 of Unrestricted Net Position for the Purpose of Providing Security to the Junior Lien Bondholders in the Event of Potential Cash Flow Shortages Before the Scheduled Debt Repayment.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Assets (continued)

General Account

The General Account is designated to keep funds available for any lawful purpose with the approval of the Board of Commissioners.

Construction Account

The Construction Account has been established to receive and disburse funds for construction projects undertaken by the Authority. The Construction Account will receive all money from government and state grants, proceeds from sale of bonds, income on Construction Account investments and from other sources for the construction of the system. Funds are disbursed by a resolution of the Authority accompanied by the consulting engineer's certificate as to the need, receipt or performance of the items indicated in the requisition. Upon completion of a construction project, any funds remaining will be turned over to the General Account.

Rate Stabilization Account

The Rate Stabilization Account has been established by Resolution No. 10-1025-10 to use for shortfalls in expected participant flows. Authority revenues are significantly impacted by yearly precipitation (droughts/storm cycles) that can result in extreme user rate swings if not managed long term. The revenues received in excess of expenditures in the operating budget for the fiscal year ending December 31, 2010 and successive years be included in said reserve, provided the reserve shall not exceed 25% of the annual operating budget.

Reserve for Future Capital Project Account

The Reserve for Future Capital Project Account has been established by Resolution No. 13-1125-5 in anticipation of future debt service payments associated with the construction of the proposed Storm Control Treatment Facility. The Authority wishes to continue to maintain the same debt level as in 2013 and to dedicate the debt service drop in the 2014 Budget and may elect in successive years budgets to further fund this reserve.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(2) REVENUE SOURCES

Revenue is provided primarily from annual service charges based on each participant's flow into the system.

Revenue is also provided through agreements, which have been made to accept septic tank waste and sludge from other treatment facilities.

Connection fees are one-time charges billed to all persons contracting for connection to the sewerage system maintained by the Authority. Legal authorization is provided to all sewerage authorities to impose connection fee charges by N.J.S.A. 40:14A-8.

Other revenues are collected for regulatory compliance monitoring that the Authority conducts (Pretreatment Program) along with interest received on short term deposits/investments, groundwater discharge fees and miscellaneous other sources. The Authority bills out costs incurred administering the Pretreatment Program in accordance with regulations.

(3) 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 not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services 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 contents 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.

Public hearings are conducted to obtain citizen comments on the proposed budget.

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

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.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(4) CASH, CASH EQUIVALENTS & INVESTMENTS

The Authority's policy is to invest and deposit funds pursuant to a cash management plan specified by the Local Fiscal Affairs Law (N.J.S.A. 40A:5-1). The provisions of the law mandate that the Authority invest and deposit funds with approved banks mandated by the New Jersey Department of Banking and Insurance under the Government Unit Deposit Protection Act (GUDPA). The first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds in excess of \$250,000 are protected by (GUDPA) through pledging of collateral requirements codified in the New Jersey Statutes as N.J.S.A. 17:9-41.

As of December 31, cash and cash equivalents of the Authority consisted of the following:

	<u>2022</u>	<u>2021</u>
Checking and Savings Accounts	\$25,143,335.24	\$41,491,165.84
State of NJ – Cash Management Fund	11,811,863.21	0.00
Certificates of Deposit	3,236,414.14	11,023,570.63
United States Treasury Obligations	<u>15,285,222.50</u>	<u>2,197,465.64</u>
	<u>\$55,476,835.09</u>	<u>\$54,712,202.11</u>

The Authority's policy is to invest with banks that are approved by the NJ Department of Banking and Insurance and the Board of Commissioners.

Fair Value Measurement

The Authority classifies its investments according to a fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are:

Level 1 – Valuation is based upon quoted prices for identical assets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Valuation is generated from model-based techniques that use significant unobservable inputs.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

The Authority has the following recurring fair value measurements as of December 31, 2022:

- U.S. Treasury Notes of \$5,891,309.09 are valued using quoted market prices (Level 1 inputs).

(5) LOANS PAYABLE

For the purpose of paying construction costs relating to the Authority's collection and treatment facilities system, the Authority has borrowed from the New Jersey Infrastructure Bank and State of NJ Wastewater Fund. The 2004 loan of \$5,190,000 was used to finance the construction of the relief interceptor project. The 2007 loan of \$12,757,250 was used to finance the outfall relocation construction project. The 2009 supplemental loan of \$5,024,887 was used to complete the tunnel portion of the outfall relocation construction project. The 2019 loan of \$11,295,665 was used to finance the mercury emission control project. During 2021, the Authority closed on a long term 30-year loan of \$31,544,674 from the New Jersey Infrastructure Bank and State of NJ Wastewater Fund for the storm control treatment facility project. Finally, during 2022 a long term 30-year loan of \$5,451,149 for plantwide electrical rehabilitation was closed on by the Authority. A portion of the loans are payable February 1 and August 1 of each year. Please refer to the next three pages for disclosure on all future debt service related to loans.

(6) 5 YEAR LOANS PAYABLE & THEREAFTER

The Authority has issued various loans for capital purposes. Principal payments due on the loans for the next five years are as follows:

2023	2,784,155
2024	2,810,570
2025	2,526,885
2026	2,566,868
2027	<u>2,611,273</u>
2028 AND AFTER	<u>40,614,791</u>
INTERIM LOANS	0.00
TOTAL LOANS OUTSTANDING	\$ <u><u>53,914,542</u></u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE - DECEMBER 31, 2022

YEAR OF MATURITY	TOTAL	NJ I-BANK		STATE OF NJ INTEREST FREE		NJ I-BANK		STATE OF NJ INTEREST FREE	
		DATED NOVEMBER 24, 2004	INTEREST RATE	DATED NOVEMBER 24, 2004	INTEREST RATE	DATED NOVEMBER 8, 2007	INTEREST RATE	DATED NOVEMBER 8, 2007	INTEREST RATE
		PRINCIPAL		PRINCIPAL		PRINCIPAL		PRINCIPAL	
2023	1,063,242.85	190,000.00	0.00%	136,275.36	2.10%	410,000.00		326,967.49	
2024	1,079,654.34	195,000.00	0.00%	134,247.32	1.65%	425,000.00		325,407.02	
2025	770,970.07				0.75%	445,000.00		325,970.07	
2026	790,953.99				0.00%	465,000.00		325,953.99	
2027	810,358.95				0.00%	485,000.00		325,358.95	
	<u>\$ 4,515,180.20</u>	<u>\$ 385,000.00</u>		<u>\$ 270,522.68</u>		<u>\$ 2,230,000.00</u>		<u>\$ 1,629,657.52</u>	

Interest and Principal Mature February 1 and August 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE CONT. - DECEMBER 31, 2022

YEAR OF MATURITY	TOTAL	NJ I-BANK DATED DECEMBER 2, 2009		STATE OF NJ INTEREST FREE DATED DECEMBER 2, 2009		NJ I-BANK DATED MAY 23, 2019		STATE OF NJ INTEREST FREE DATED MAY 23, 2019	
		INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL
2023	624,591.97	3.00%	145,000.00		129,401.02	5.00%	65,000.00		285,190.95
2024	629,591.97	2.90%	150,000.00		129,401.02	5.00%	65,000.00		285,190.95
2025	639,591.97	3.25%	155,000.00		129,401.02	5.00%	70,000.00		285,190.95
2026	649,591.97	2.80%	160,000.00		129,401.02	5.00%	75,000.00		285,190.95
2027	664,591.97	2.50%	170,000.00		129,401.02	5.00%	80,000.00		285,190.95
2028	669,591.97	1.00%	175,000.00		129,401.02	5.00%	80,000.00		285,190.95
2029	679,592.24	0.00%	180,000.00		129,401.29	2.00%	85,000.00		285,190.95
2030	370,190.95					2.00%	85,000.00		285,190.95
2031	375,190.95					2.13%	90,000.00		285,190.95
2032	375,190.95					2.25%	90,000.00		285,190.95
2033	380,190.95					2.50%	95,000.00		285,190.95
2034	380,190.95					3.00%	95,000.00		285,190.95
2035	385,190.95					3.00%	100,000.00		285,190.95
2036	385,190.95					3.00%	100,000.00		285,190.95
2037	390,190.95					3.00%	105,000.00		285,190.95
2038	390,190.95					3.00%	105,000.00		285,190.95
2039	395,190.95					3.00%	110,000.00		285,190.95
2040	400,190.95					3.00%	115,000.00		285,190.95
2041	405,190.95					3.00%	120,000.00		285,190.95
2042	405,190.95					3.00%	120,000.00		285,190.95
2043	410,190.95					3.00%	125,000.00		285,190.95
2044	415,190.95					3.00%	130,000.00		285,190.95
2045	420,190.95					3.00%	135,000.00		285,190.95
2046	420,190.95					3.00%	135,000.00		285,190.95
2047	425,190.95					3.00%	140,000.00		285,190.95
2048	430,191.10					3.00%	145,000.00		285,191.10
	<u>\$ 12,115,772.26</u>								
			<u>\$ 1,135,000.00</u>		<u>\$ 905,807.41</u>				<u>\$ 2,660,000.00</u>
									<u>\$ 7,414,964.85</u>

Interest and Principal Mature February 1 and August 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE CONT. - DECEMBER 31, 2022

YEAR OF MATURITY	TOTAL	NJ I-BANK DATED NOVEMBER 23, 2021		STATE OF NJ INTEREST FREE DATED NOVEMBER 23, 2021		NJ I-BANK DATED JUNE 23, 2022		STATE OF NJ INTEREST FREE DATED JUNE 23, 2022	
		INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL
2023	\$ 953,753.05	5.00%	\$ 150,000.00	5.00%	\$ 803,753.05	5.00%	\$ 50,000.00	5.00%	\$ 92,566.81
2024	958,753.05	5.00%	155,000.00	5.00%	803,753.05	5.00%	50,000.00	5.00%	92,566.81
2025	968,753.05	5.00%	165,000.00	5.00%	803,753.05	5.00%	55,000.00	5.00%	92,566.81
2026	978,753.05	5.00%	175,000.00	5.00%	803,753.05	5.00%	60,000.00	5.00%	92,566.81
2027	983,753.05	5.00%	180,000.00	5.00%	803,753.05	5.00%	60,000.00	5.00%	92,566.81
2028	993,753.05	5.00%	190,000.00	5.00%	803,753.05	5.00%	65,000.00	5.00%	92,566.81
2029	1,003,753.05	5.00%	200,000.00	5.00%	803,753.05	5.00%	70,000.00	5.00%	92,566.81
2030	1,013,753.05	5.00%	210,000.00	5.00%	803,753.05	5.00%	70,000.00	5.00%	92,566.81
2031	1,023,753.05	5.00%	220,000.00	5.00%	803,753.05	5.00%	75,000.00	5.00%	92,566.81
2032	1,033,753.05	4.00%	230,000.00	5.00%	803,753.05	5.00%	80,000.00	5.00%	92,566.81
2033	1,043,753.05	3.00%	240,000.00	5.00%	803,753.05	5.00%	80,000.00	5.00%	92,566.81
2034	1,053,753.05	3.00%	250,000.00	3.25%	803,753.05	3.25%	80,000.00	3.25%	92,566.81
2035	1,068,753.05	3.00%	255,000.00	3.00%	803,753.05	3.38%	85,000.00	3.38%	92,566.81
2036	1,068,753.05	3.00%	265,000.00	3.00%	803,753.05	3.38%	90,000.00	3.38%	92,566.81
2037	1,073,753.05	3.00%	270,000.00	3.00%	803,753.05	3.38%	90,000.00	3.38%	92,566.81
2038	1,083,753.05	3.00%	280,000.00	3.00%	803,753.05	3.50%	95,000.00	3.50%	92,566.81
2039	1,088,753.05	3.00%	285,000.00	3.00%	803,753.05	3.50%	95,000.00	3.50%	92,566.81
2040	1,098,753.05	2.00%	295,000.00	2.00%	803,753.05	3.50%	100,000.00	3.50%	92,566.81
2041	1,103,753.05	2.00%	300,000.00	2.00%	803,753.05	3.50%	105,000.00	3.50%	92,566.81
2042	1,108,753.05	2.13%	305,000.00	2.13%	803,753.05	3.63%	105,000.00	3.63%	92,566.81
2043	1,118,753.05	2.13%	315,000.00	2.13%	803,753.05	3.63%	110,000.00	3.63%	92,566.81
2044	1,123,753.05	2.13%	320,000.00	2.13%	803,753.05	3.50%	115,000.00	3.50%	92,566.81
2045	1,128,753.05	2.13%	325,000.00	2.13%	803,753.05	4.00%	120,000.00	4.00%	92,566.81
2046	1,138,753.05	2.13%	335,000.00	2.13%	803,753.05	4.00%	125,000.00	4.00%	92,566.81
2047	1,143,753.05	2.25%	340,000.00	2.25%	803,753.05	4.00%	130,000.00	4.00%	92,566.81
2048	1,153,753.05	2.25%	350,000.00	2.25%	803,753.05	4.00%	135,000.00	4.00%	92,566.81
2049	1,158,753.05	2.25%	355,000.00	2.25%	803,753.05	4.00%	140,000.00	4.00%	92,566.81
2050	1,168,753.05	2.25%	365,000.00	2.25%	803,753.05	4.00%	145,000.00	4.00%	92,566.81
2051	1,178,753.23	2.25%	375,000.00	2.25%	803,753.23	4.00%	150,000.00	4.00%	92,567.11
	<u>\$ 31,008,638.63</u>		<u>\$ 7,700,000.00</u>		<u>\$ 23,308,638.63</u>		<u>\$ 2,705,000.00</u>		<u>\$ 2,884,437.79</u>

Interest and Principal Mature February 1 and August 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(7) CHANGES IN LONG TERM DEBT

	Outstanding January 1st 2022	Additions	Deductions	Outstanding December 31 2022
Interim Loans	4,805,623.00	487,284.00	5,292,907.00	0.00
Loans Payable	48,435,194.01	5,368,680.40	2,673,486.90	51,130,387.51
Total	\$ 53,240,817.01	\$ 5,855,964.40	\$ 7,966,393.90	51,130,387.51

(8) PROPERTY PLANT AND EQUIPMENT & INTANGIBLE ASSETS

Details of property, plant and equipment & intangible assets as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Original Treatment Plant	\$2,138,512.41	\$ 2,138,512.41
Additional Treatment Facilities	79,726,851.62	79,726,851.62
Relief Interceptor	14,456,242.02	14,456,242.02
Outfall Relocation	19,128,329.71	19,128,329.71
Mercury Emission Control Sys.	11,642,736.15	11,642,736.15
Storm Control Treatment Facility	33,149,900.26	32,168,276.26
Plantwide Electrical Rehabilitation	5,678,815.09	5,382,110.06
Intangible Assets	1,164,808.19	1,164,808.19
Land, Easements & Land Impr.	2,161,712.75	2,157,910.25
Equipment	5,651,140.56	5,618,159.78
Vehicles	637,326.93	611,427.27
Miscellaneous	36,180.00	36,180.00
	\$175,572,555.69	\$174,231,543.72
Less: Accumulated Depreciation	93,694,792.56	89,670,376.08
Less: Accumulated Amortization	1,105,169.60	984,982.70
Net, Property, Plant and Equipment & Intangibles	<u>\$ 80,772,593.53</u>	<u>\$ 83,576,184.94</u>
Construction in Progress	<u>\$ 996,711.81</u>	<u>\$ 624,219.97</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(8) PROPERTY PLANT AND EQUIPMENT & INTANGIBLE ASSETS CONTINUED

The following is a summary of the changes in fixed assets, accumulated depreciation and construction in progress for the period ending December 31, 2022:

	<u>Balance</u> <u>January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2022</u>
Original Treatment Plant	\$ 2,138,512.41			\$2,138,512.41
Additional Treatment Facilities	79,726,851.62			79,726,851.62
Relief Interceptor	14,456,242.02			14,456,242.02
Outfall Relocation	19,128,329.71			19,128,329.71
Mercury Emission Control Sys.	11,642,736.15			11,642,736.15
Storm Control Treatment Facility	32,168,276.26	981,624.00		33,149,900.26
Plantwide Electrical Rehabilitation	5,382,110.06	296,705.03		5,678,815.09
Intangible Assets	1,164,808.19			1,164,808.19
Land & Improvements	2,157,910.25	3,802.50		2,161,712.75
Equipment	5,618,159.78	109,511.14	76,530.36	5,651,140.56
Vehicles	611,427.27	164,762.00	138,862.34	637,326.93
Miscellaneous	<u>36,180.00</u>			<u>36,180.00</u>
Historical Cost Balance	<u>\$174,231,543.72</u>	<u>\$1,556,404.67</u>	<u>\$215,392.70</u>	<u>\$175,572,555.69</u>
Less: Accumulated Depreciation/Amortization				
Original Treatment Plant	2,138,512.41			2,138,512.41
Additional Treatment Facility	74,305,927.81	1,247,409.37		74,305,927.81
Relief Interceptor	4,085,145.90	325,873.78		4,085,145.90
Outfall Relocation	4,439,171.65	428,355.40		4,439,171.65
Mercury Emission Control System	1,746,410.43	582,136.81		1,746,410.43
Storm Control Treatment Facility	0.00	1,104,996.68		0.00
Plantwide Electrical Rehabilitation	0.00	189,293.83		0.00
Intangible Assets	984,982.70	120,186.90		984,982.70
Land, Easements & Land Impr.	0.00			0.00
Equipment	2,476,706.56	307,045.16	76,530.36	2,476,706.56
Vehicles	442,321.31	54,698.15	138,862.34	442,321.31
Miscellaneous	<u>36,180.00</u>			<u>36,180.00</u>
Total Accumulated Depreciation/Amortization	<u>\$90,655,358.78</u>	<u>\$4,359,996.08</u>	<u>\$215,392.70</u>	<u>\$94,799,962.16</u>
Construction in Progress	<u>\$ 624,219.97</u>	<u>\$1,675,641.68</u>	<u>\$1,303,149.84</u>	<u>\$998,091.01</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(9) RISK MANAGEMENT

The Authority participates in the New Jersey Utility Authorities Joint Insurance Fund, established effective August 21, 1991 pursuant to N.J.S.A. 40A:10-36. The law permits utility authorities to join together to form a joint insurance fund. The Somerset Raritan Valley Sewerage Authority is exposed to various risks of loss related to torts/employers' liability, theft of or damage to property, destruction of assets, automobile accidents, environmental claims, cyber liability, public officials/employment practices liability and workers' compensation. The Authority is insured against the perils or liability of the said risks by its participation in a public entity risk pool and that pools purchase of commercial insurance for excess liability and the Authority may derive benefit from the insurance policy to the extent determined by the fund. For more information about the nature and coverage limits/excess insurance of the New Jersey Utility Authorities Joint Insurance Fund including the rights and responsibilities of each of the members and the Fund pool see <https://www.njuajif.org/index.php/fund-documents/audits>. The Authority maintains a separate policy for flood insurance coverage in the amount of \$1,200,000 for its storm control pump station. Also, as per joint insurance fund bylaws the Authority retains a risk management firm to advise the Authority on all risk related matters.

(10) ACCRUED LEAVE PAY

Certain employees are permitted to accrue unused leave time. The Authority has calculated the liability for unused sick leave time and has accrued \$114,955 at December 31, 2022. The Authority's unused leave liability was \$106,019 and \$137,761 at December 31, 2021 and 2020.

(11) PENSION PLAN

All required full-time employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues an accrual accounting based publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or online at www.state.nj.ustreasury/pensions.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(11) PENSION PLAN (CONTINUED)

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials and part-time employees, effective July 1, 2007. Part-time employees that earn an annual salary of at least \$5,000 and work less than 35 hours per week are eligible to enroll in the New Jersey Defined Contribution Plan (DCRP). The DCRP is offered through the Prudential Retirement Insurance and Annuity Company. Employees contribute 5.5% of salary and the Authority contributes 3% of salary, for a total contribution of 8.5%. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the PERS system.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS was changed. The unfunded actuarial accrued liability (UAAL) will be amortized for PERS over a closed 30-year period and paid in level dollars until the remaining period reaches 20. As of July 1, 2022, valuation, the remaining amortization period is 27 years.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(11) PENSION PLAN (CONTINUED)

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of public service, except for post-retirement healthcare benefits that vest after 25 years of public service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The PERS has 5 different classes of members, differentiated by date of hire shown below.

Class B Member – Any member who was hired prior to July 1, 2007.

Class D Member – Any member who was hired on or after July 1, 2007 but prior to November 2, 2008.

Class E Member – Any member who was hired after November 1, 2008 but prior to May 22, 2010.

Class F Member – Any member who was hired on or after May 22, 2010 but prior to June 28, 2011.

Class G Member – Any member who was hired on or after June 28, 2011.

Chapter 103, P.L. 2007 provides that for Class D, Class E, Class F and Class G members, the amount of compensation used for employer and member contributions and benefits under the System cannot exceed the annual maximum wage contribution base for Social Security. Chapter 1, P.L. 2010 provides that for Class F and Class G members final compensation is the average annual compensation for the five years of creditable service immediately preceding retirement or the highest five fiscal years of membership service. For Class B, Class D and Class E the final compensation is the three years of creditable service immediately preceding retirement or the highest three fiscal years of membership service.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(11) PENSION PLAN (CONTINUED)

Members of Class B and Class D are eligible for service retirement with 10 years service credit at age 60. Benefit equals a member annuity plus an employer pension, which together, equal 1/55 of final compensation for each year of service. Chapter 89, P.L. 2008 changed the eligibility age to age 62 for Class E members, Chapter 1, P.L. 2010 changed the eligibility age to age 62 for Class F members and changed the basic accrual rate from 1/55th to 1/60th of final compensation for each year of service for Class F and Class G members and Chapter 78, P.L. 2011 changed the eligibility age to age 65 for Class G members.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for PERS. For 2022, the employee is paying 7.5% of gross pay toward their pension.

Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Contribution Requirements:

Three Year Trend Information for PERS

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2022	567,393	100%	6,790,179
2021	543,373	100%	5,496,524
2020	510,654	100%	7,612,263

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

For the year ended December 31, 2022, the Authority recognized statutory pension expense of \$567,393 which is due April 1, 2023 and which is a current receivable by the pension plan. For purposes of GASB 68 the Authority's net pension benefit was \$593,326 at December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Net difference between projected and actual earnings on pension plan investments	-----	281,039
Difference between expected and actual experience	43,218	49,008
Change of assumption	1,016,759	21,038
Changes in proportion and differences between Authority contributions and proportionate share of contributions	\$368,343	93,272
Authority contributions subsequent to the measurement date	-----	-----
	<u>\$1,428,320</u>	<u>\$444,357</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2023	\$(582,455)
2024	(296,741)
2025	(144,715)
2026	315,713
2027	(693)

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The previous amounts do not include the employer specific deferred outflow of resources and deferred inflow of resources related to changes in proportion which will be recognized in the Authority's pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2023	\$(50,894)
2024	(95,122)
2025	(72,393)
2026	(54,551)
2027	(2,111)

Additional Information

Collective balances on State of New Jersey Local Government Schedule of Employer Allocations and Schedule of Pension Amounts by Employer at most recent measurement date of June 30, 2022 and 2021 are as follows:

	<u>6/30/2022</u>	<u>6/30/2021</u>
Collective deferred outflows of resources	\$1,660,772,008	\$818,359,815
Collective deferred inflows of resources	3,236,303,935	11,243,411,487
Collective net pension liability	15,091,376,611	11,972,782,878
Authority's Proportion	0.0449937663%	0.0463978714%

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Actuarial Assumptions

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

	6/30/2022	6/30/2021
Inflation rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
	2.75-6.55%	2.00-7.00%
Investment Rate of Return	7.00%	7.00%

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more that the experience deviates from expectations, the larger the impact on future financial statements.

Mortality Rates

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

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued) - Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return (7.00% at June 30, 2022) 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 and 2021 are summarized in the following table:

<u>Asset Class</u>	<u>06/30/2022</u>		<u>06/30/2021</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash & Equivalents	4.00%	1.75%	4.00%	.50%
U.S. Treasuries	4.00%	1.75%	5.00%	.95%
Investment Grade Credit	7.00%	3.38%	8.00%	1.68%
High Yield Bonds	4.00%	4.95%	2.00%	5.95%
Broad U.S. Equities	27.00%	8.12%	27.00%	8.09%
Developed Foreign Equities	13.50%	8.38%	13.50%	8.71%
Emerging Market Equities	5.50%	10.33%	5.50%	10.96%
Private Equity	13.00%	11.80%	13.00%	11.30%
Risk Mitigation Strategies	3.00%	4.91%	3.00%	3.35%
Private Credit	8.00%	8.10%	8.00%	7.60%
Real Assets	3.00%	7.60%	3.00%	7.40%
Real Estate	8.00%	11.19%	8.00%	9.15%
	<u>100.00%</u>		<u>100.00%</u>	

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.00% as of June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

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

	1% Decrease <u>6.00%</u>	June 30, 2022 At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	<u>\$8,797,269</u>	<u>\$6,790,179</u>	<u>\$5,188,510</u>

Pension plan fiduciary net position

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

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the Authority has contractually agreed to provide employees once they have retired and will be for health and prescription insurance coverage.

Under current New Jersey budget requirements, the Authority is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis.

Plan Description

The State Health Benefit Local Government Retired Employees Plan (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions, therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

Contributions

The Somerset Raritan Valley Sewerage Authority contributes to SHBP for active participants for the years ended December 31, 2022, 2021, and 2020 were \$583,185 \$578,779 and \$623,751. The amount of the contributions to SHBP for retired participants for the years ended December 31, 2022, 2021, and 2020 were \$443,051, \$380,296 and \$325,190. There were 28 retired participants eligible at December 31, 2022. There were 28 at December 31, 2021 and 26 at December 31, 2020.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(13) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Pursuant to Chapter 78, P.L. 2011, 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 care 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.

OPEB Expense, Liability & Deferred Outflow/Inflow

For the year ended December 31, 2022, the Authority recognized contractually required OPEB expense of \$443,051. For purposes of GASB 75 the Authority's OPEB expense was \$140,413. At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Net difference between projected and actual earnings on pension plan investments		\$2,721
Difference between expected and actual experience	\$1,915,717	\$533,724
Change of assumption	\$3,527,224	\$1,379,283
Changes in proportion and differences between Authority contributions and proportionate share of contributions	\$1,010,476	\$1,434,624
Authority contributions subsequent to the measurement date	<u>0</u>	<u>\$191,565</u>
	<u>\$6,453,417</u>	<u>\$3,541,917</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense, Liability & Deferred Outflow/Inflow (Continued)

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

Year Ended	
<u>June 30</u>	<u>Amount</u>
2023	\$(936,520)
2024	(937,346)
2025	(740,209)
2026	(330,581)
2027	(74,115)
Thereafter	(508,442)

The previous amounts do not include the employer specific deferred outflow of resources and deferred inflow of resources related to changes in proportion and differences between Authority contributions and proportionate share of contributions which will be recognized in the Authority's OPEB expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2023	\$(13,129)
2024	(13,129)
2025	124,898
2026	42,927
2027	154,341
Thereafter	128,239

At June 30, 2022, the Plan reported a liability of \$10,335,257 for the Authority's proportionate share of the collective net OPEB liability. The Authority's proportion of the OPEB liability was based on the ratio of the plan members of the Plan at the census date of June 30, 2021.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Additional Information

Collective balances on State of New Jersey Local Government Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer at most recent measurement date of June 30, 2022 and 2021 are as follows:

	<u>6/30/2022</u>	<u>6/30/2021</u>
Collective deferred outflows of resources	\$2,993,464,316	\$3,001,822,350
Collective deferred inflows of resources	\$8,504,994,107	6,947,492,748
Collective Net OPEB liability	16,149,595,478	17,999,781,235
Authority's Proportion	.063997%	0.062530%

Actuarial Assumptions

The total OPEB liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, which rolled forward to June 30, 2022. This actuarial valuation used the following assumptions, applied to all periods in the measurement. The salary increases assumptions shown below are based on years of service within the respective plan.

	<u>6/30/2022</u>
Salary Increases:	2.75%-6.55% based on years of service

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2018, to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more that the experience deviates from expectations, the larger the impact on future financial statements.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates

Mortality rates were based on the Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.

Long-Term Rate of Return

The long-term expected rate of return on plan investments is not applicable because the funding policy is on a pay as you go basis. Any idle funds are invested in the State of NJ Cash Management Fund. The long-term expected rate of return is based on the 20 Year Municipal Bond Index which for June 30, 2022 is 3.54%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54% and 2.16% as of June 30, 2022 and 2021, respectively. This single discount rate represents the municipal bond return rate as chosen by the State as of June 30, 2022. 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.

Health Care Trend Rates

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 6.25% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the Medicare Advantage trend rates for fiscal year 2023 and 2024 are (1.89)% and (6.00)%, respectively. The rates used for 2025 and 2026 are 6.99% and 15.04%, respectively, trending to 4.5% for all years after 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.5% long-term trend rate after seven years.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Sensitivity of the Collective Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease <u>2.54%</u>	At Current Discount Rate <u>3.54%</u>	1% Increase <u>4.54%</u>
Authority's proportionate share of the net OPEB liability	<u>\$11,980,643</u>	<u>\$10,335,257</u>	<u>\$9,011,389</u>

Sensitivity of the Collective Net OPEB Liability to Changes in the Health Care Trend
Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2022 respectively, calculated using the healthcare trend rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a health care trend rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	1% Decrease	At Current Discount Rate	1% Increase
Authority's proportionate share of the net OPEB liability	<u>\$8,767,709</u>	<u>\$10,335,257</u>	<u>\$12,342,843</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Division of Pensions & Benefits Financial Statements and Supplementary Schedules with a report date of June 30, 2022. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at:
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

(14) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At December 31, 2022, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority

(15) SUBSEQUENT EVENTS

The Somerset Raritan Valley Sewerage Authority has evaluated subsequent events occurring after the financial statement date through October 6, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has no subsequent events which require disclosure in the financial report.

SCHEDULES RELATED TO
ACCOUNTING AND REPORTING
FOR PENSION (GASB 68) AND
OPEB (GASB 75)

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending December 31	Authority's Proportion Share of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0467311937%	\$ 8,931,260	3,224,450	276.99%	49.60%
2014	0.0482843236%	9,040,146	3,339,337	270.72%	52.08%
2015	0.0459597979%	10,317,054	3,171,195	325.34%	47.93%
2016	0.0487710452%	14,444,585	3,356,119	430.40%	40.14%
2017	0.0466291203%	10,854,514	3,230,883	335.96%	48.10%
2018	0.0459687000%	9,051,007	3,240,539	279.31%	53.60%
2019	0.0477416886%	8,602,328	3,392,169	253.59%	56.27%
2020	0.0466798486%	7,612,263	3,379,576	225.24%	58.32%
2021	0.0463978714%	5,496,523	3,400,332	161.65%	70.33%
2022	0.0449937663%	6,790,179	3,316,148	204.76%	62.91%

SCHEDULE "R-2"

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>December 31</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Authority's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2013	\$ 352,110	\$ 352,110	-0-	3,224,450	10.92%
2014	398,049	398,049	-0-	3,339,337	11.92%
2015	395,131	395,131	-0-	3,171,195	12.46%
2016	433,275	433,275	-0-	3,356,119	12.91%
2017	431,969	431,969	-0-	3,230,883	13.37%
2018	457,240	457,240	-0-	3,240,539	14.11%
2019	464,388	464,388	-0-	3,392,169	13.69%
2020	510,654	510,654	-0-	3,379,576	15.11%
2021	543,373	543,373	-0-	3,400,332	15.98%
2022	567,393	567,393	-0-	3,316,148	17.11%

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The only change in assumptions was an update to the salary increase assumption to increase expected salaries. Presently, the Local PERS plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore the discount rate is the long-term expected rate of return on plan investments.

SCHEDULE "R-4"

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFIT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30	Authority's Proportion Share of the Net OPEB Liability (Asset)	Authority's Proportionate Share of the Net OPEB Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion Share of the Net OPEB Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total OPEB Liability
2016	0.068465%	14,868,862	3,356,119	443.04%	0.69%
2017	0.061954%	12,648,398	3,230,883	391.48%	1.03%
2018	0.064695%	10,135,519	3,240,539	312.77%	1.97%
2019	0.059017%	7,994,485	3,392,169	235.67%	1.98%
2020	0.061421%	11,022,989	3,379,576	326.16%	0.91%
2021	0.062530%	11,255,263	3,400,332	331.00%	0.28%
2022	0.063997%	10,335,257	3,316,148	311.66%	-0.36%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
STATE HEALTH BENEFIT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)
2016	394,069	394,069	-0-
2017	527,491	527,491	-0-
2018	515,777	515,777	-0-
2019	374,631	374,631	-0-
2020	278,707	278,707	-0-
2021	313,246	313,246	-0-
2022	357,616	357,616	-0-

Note: Schedule is intended to show a ten year trend. Additional years will be reported as they become available.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)
FOR THE YEAR ENDED DECEMBER 31, 2022

STATE HEALTH BENEFIT SYSTEM (SHBP)

Change in benefit terms

No change for the Authority.

Change in assumptions

The calculation of the discount rate used to measure the total OPEB liability is dependent upon the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (2.16%) to the current measurement date (3.54%). 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. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75.

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SUPPLEMENTARY SECTION

SCHEDULE 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - RESERVED, DESIGNATED AND UNRESERVED
DECEMBER 31, 2022

	UNRESERVED INVESTMENT FIXED ASSETS	DEBT SERVICE RESERVE	DESIGNATED FUTURE CAPITAL PROJECT	RATE STABILIZATION	RESERVED CONNECTION CAPITAL	TOTAL
Revenues:						
Service Charges-Participants	\$ 15,982,831.00	\$	\$	\$	\$	\$ 15,982,831.00
Septage and Sludge Dumping Charges	613,513.00					613,513.00
Connection Fee	1,032,717.35				1,727,397.00	1,727,397.00
Insurance Proceeds	158,856.00					158,856.00
Pretreatment Program	25,602.90					25,602.90
Ground Water Discharge	536,076.67	19,780.08			195,503.61	751,360.36
Interest Income	5,850.00					5,850.00
Review Fees	37,267.73					37,267.73
Miscellaneous Income	18,392,714.65	19,780.08			1,922,900.61	20,335,395.34
	12,857,674.66					12,857,674.66
Operating Expense	\$ 5,535,039.99	\$ 19,780.08	\$	\$	\$ 1,922,900.61	\$ 7,477,720.68
Operating Income Before Depreciation						
Non-Operating Revenue (Expense):						
Interest on Bonds	(502,442.41)					(502,442.41)
Bond Issuance Expense	(477,713.75)					(477,713.75)
Unrealized Holding Loss	(103,389.43)					(103,389.43)
	(1,083,545.59)					(1,083,545.59)
Income Before Depreciation	\$ 4,451,494.40	\$ 19,780.08	\$	\$	\$ 1,922,900.61	\$ 6,394,175.09
Depreciation Expense	4,239,809.18					4,239,809.18
Amortization Expense	120,186.90					120,186.90
Net Income Before Transfers	\$ 91,498.32	\$ 19,780.08	\$	\$	\$ 1,922,900.61	\$ 2,034,179.01
Transfers:						
Financed Planning & Design	(4,046,605.00)				4,046,605.00	
Construction in Process	336,184.00				(336,184.00)	
Asset Capitalizations	331,093.44			224,328.00	(331,093.44)	
From Unrestricted Assets	(224,328.00)					
Increase (Decrease) in Net Position	\$ (3,512,157.24)	\$ 19,780.08	\$ 0.00	\$ 224,328.00	\$ 5,302,228.17	\$ 2,034,179.01
Net Position January 1	34,453,519.36	1,666,892.73	7,000,000.00	4,760,267.00	9,464,039.49	57,344,718.58
Net Position December 31	30,941,362.12	1,686,672.81	7,000,000.00	4,984,595.00	14,766,267.66	59,378,897.59

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
 SCHEDULE OF CHANGES IN CASH AND INVESTMENTS (NET)
 FOR THE YEAR ENDED DECEMBER 31, 2022

	TOTAL	REVENUE ACCOUNT	AUTHORITY OPERATING ACCOUNT	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	GENERAL ACCOUNT	CONSTRUCTION CAPITAL ACCOUNT	CONNECTION CAPITAL ACCOUNT
Balance, January 1, 2022	\$ 54,712,202.11	\$ 4,804,017.82	\$ 7,009,271.32	\$ 332,530.45	\$ 1,666,892.73	\$ 24,489,261.23	\$ 6,696,189.07	\$ 9,714,039.49
Increased by Receipts:								
Service Charges-Participants	\$ 15,089,342.94	\$ 15,089,342.94	\$	\$	\$	\$	\$	\$
Septage and Sludge Dumping Charges	621,949.00	621,949.00						
Interest Income	688,815.36	23,763.09	50,274.83	9,739.95	19,780.08	348,039.72	41,714.88	195,503.61
Review Fees	5,850.00	5,850.00						
Pretreatment Program	100,564.50	100,564.50						
Ground Water Discharge	26,987.08	26,987.08	3,000.00				487,424.23	
Insurance Proceeds	1,032,717.35	542,293.12	3,062.10				686,674.00	1,379.20
Miscellaneous	23,639.35	20,777.25						
State of NJ - Construction Loan	666,674.00		24,774.42			15.00		
Expense Reimbursements	26,168.62		12,094.50					
Escrow Prepays	12,094.50							1,727,397.00
Connection Fees (Net of Refunds)	1,727,397.00		12,132,458.50			6,685,122.67		4,046,605.00
Transfers	24,291,497.53		19,234,935.47	1,427,311.36	1,686,672.81	31,522,438.62	7,912,002.18	15,684,924.30
TOTAL	\$ 99,046,059.34	\$ 21,235,544.80	\$ 19,234,935.47	\$ 1,769,561.16	\$ 1,686,672.81	\$ 31,522,438.62	\$ 7,912,002.18	\$ 15,684,924.30
Decreased by Disbursements:								
Accounts Payable and Accruals-December 31, 2021	\$ 1,719,132.50	\$	\$ 1,824,178.79	\$ 94,953.71	\$	\$	\$	\$
2022 Salaries, Taxes & Personnel Expenses	6,282,352.14		6,282,352.14					
2022 Operating Expenses	6,506,232.45		6,489,087.45	17,145.00		103,389.43		
Unrealized Investment Holding Loss	103,389.43			44,043.92				
Interest on Bonds	372,852.00		251,755.69					
State on NJ DEP Bonding Fee	20,000.00		20,000.00					
Bond Rating Fee	479,670.05		41,388.40				876,356.07	336,184.00
Construction In Progress (net)	2,244,400.07		942,737.53	1,301,662.54				332,472.64
Asset Capitalization	24,291,497.53	15,954,000.00	1,165,122.67	1,301,662.54		2,618,345.63	4,534,029.23	
Principal on Bonds	43,569,264.25	15,954,000.00	17,356,682.08	1,457,805.17	0.00	2,721,735.06	5,410,385.30	668,656.64
Transfers								
TOTAL	\$ 55,476,835.09	\$ 5,281,544.80	\$ 1,878,253.39	\$ 311,775.99	\$ 1,686,672.81	\$ 28,800,703.56	\$ 2,501,616.88	\$ 15,016,267.66
Balance, December 31, 2022								

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED
BY OPERATING REVENUES COMPARED TO BUDGET FOR THE YEAR
ENDED DECEMBER 31, 2022

	<u>2022 BUDGET</u>	<u>2022 ACTUAL</u>	<u>2021 ACTUAL</u>
<u>REVENUE</u>			
Unrestricted Net Position (Capital Project Reserve)	\$ 2,315,411.00	\$ 0.00	\$ 0.00
Service Charges-Participants	16,105,467.00	15,982,831.00	16,327,635.43
Septage and Sludge Dumping Charges	525,000.00	613,513.00	631,381.70
Connection Fees	650,000.00	1,727,397.00	1,677,754.00
Insurance Proceeds	0.00	1,032,717.35	0.00
Pretreatment Program	100,000.00	158,856.00	102,867.00
Ground Water Discharge	25,000.00	25,602.90	39,639.37
Interest Income	163,200.00	551,183.83	273,801.04
Interest Income - Connection	45,300.00	195,503.61	46,227.66
Review Fees	3,500.00	5,850.00	3,350.00
Bond Interest Income	500.00	4,672.92	4,687.20
Miscellaneous Income	5,000.00	37,267.73	68,067.02
<u>TOTAL REVENUE</u>	<u>\$ 19,938,378.00</u>	<u>\$ 20,335,395.34</u>	<u>\$ 19,175,410.42</u>
<u>OPERATING EXPENSES</u>			
<u>SALARIES, WAGES AND PERSONNEL COSTS</u>			
Salaries and Wages	\$ 4,839,435.00	\$ 4,627,734.12	\$ 4,347,709.36
Payroll Taxes	380,500.00	355,340.39	335,914.27
Health, Prescription, Dental & Meal Allowance	1,198,000.00	1,062,333.42	995,499.03
Employer Pension Contribution	566,725.00	543,380.39	536,644.82
<u>TOTAL</u>	<u>\$ 6,984,660.00</u>	<u>\$ 6,588,788.32</u>	<u>\$ 6,215,767.48</u>
<u>ADMINISTRATION, OFFICE EXPENSE</u>			
Professional Services	\$ 592,000.00	\$ 498,745.68	\$ 380,610.54
Office Expense	159,950.00	136,335.21	117,331.09
Permit Fees	109,125.00	117,008.40	159,259.44
Insurance Expense	525,000.00	527,721.00	446,749.00
Utility Expense	2,126,900.00	1,818,552.14	1,366,537.67
<u>TOTAL</u>	<u>\$ 3,512,975.00</u>	<u>\$ 3,098,362.43</u>	<u>\$ 2,470,487.74</u>
<u>FACILITY OPERATING EXPENSE</u>			
Wastewater Treatment	\$ 699,000.00	\$ 489,838.17	\$ 378,534.51
Incinerator/Sludge Operating Expense	1,539,000.00	1,147,745.62	1,237,204.53
General Expenses	103,000.00	79,722.17	80,238.70
<u>TOTAL</u>	<u>\$ 2,341,000.00</u>	<u>\$ 1,717,305.96</u>	<u>\$ 1,695,977.74</u>
<u>MAINTENANCE</u>			
Wastewater Treatment	\$ 801,100.00	\$ 864,215.94	\$ 1,192,775.96
Incinerator Sludge	513,100.00	581,970.76	561,549.97
General Expense	42,100.00	76,663.62	71,245.01
Building and Grounds	236,800.00	199,489.40	172,459.76
Vehicle Maintenance	25,000.00	24,747.39	27,913.13
Interceptor, Storm Control Treatment Facility & Meter Chamber	72,000.00	165,540.58	21,798.97
Major Equipment Repair	218,000.00	220,755.00	445,305.30
Capital Acquisition	41,000.00	123,777.85	53,178.99
<u>TOTAL</u>	<u>\$ 1,949,100.00</u>	<u>\$ 2,257,160.54</u>	<u>\$ 2,546,227.09</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED
BY OPERATING REVENUES COMPARED TO BUDGET FOR THE YEAR
ENDED DECEMBER 31, 2022

	<u>2022 BUDGET</u>	<u>2022 ACTUAL</u>	<u>2021 ACTUAL</u>
<u>OPERATING EXPENSES (CONT'D.)</u>			
<u>LABORATORY AND TESTING</u>			
Wastewater	\$ 77,000.00	\$ 69,927.10	\$ 87,260.93
Incinerator/Sludge	15,500.00	14,719.00	7,940.00
General & Capital	2,000.00	0.00	0.00
<u>TOTAL</u>	<u>\$ 94,500.00</u>	<u>\$ 84,646.10</u>	<u>\$ 95,200.93</u>
<u>METERS AND INSTRUMENTATION</u>			
Interceptor Flow Meters Parts & Instrumentation	\$ 185,000.00	\$ 369,688.94	\$ 236,455.55
Plant Instrumentation & Scada Maintenance	195,000.00	137,047.95	142,190.55
Telemetry	8,000.00	280.07	480.12
Capital Acquisition	0.00	0.00	13,749.06
<u>TOTAL</u>	<u>\$ 388,000.00</u>	<u>\$ 507,016.96</u>	<u>\$ 392,875.28</u>
<u>PRETREATMENT</u>			
Sampling & Testing Services	\$ 35,000.00	\$ 26,755.00	\$ 21,334.00
Professional Service Expense & Industry Studies	125,000.00	16,983.94	39,964.57
<u>TOTAL</u>	<u>\$ 160,000.00</u>	<u>\$ 43,738.94</u>	<u>\$ 61,298.57</u>
<u>TOTAL OPERATING EXPENSE</u>	<u>\$ 15,430,235.00</u>	<u>\$ 14,297,019.25</u>	<u>\$ 13,477,834.83</u>
<u>OTHER COSTS AND RESERVE REQUIREMENTS</u>			
Principal on Bonds	\$ 2,812,613.00	\$ 2,244,400.07	\$ 1,609,898.85
Interest on Bonds	542,530.00	410,217.70	223,172.84
Bond Issue Expenses	250,000.00	477,713.75	386,285.35
Capitalized Fixed Assets Financed Through Budget	253,000.00	385,262.97	94,039.51
Non - Operating Investment Fee (Net)	0.00	0.00	65.00
Reserve for Future Capital Project	0.00	0.00	0.00
Reserve for Connections	650,000.00	1,922,900.61	1,723,981.66
Reserve for Rate Stabilization	0.00	224,328.00	0.00
<u>TOTAL OTHER COSTS AND RESERVE REQUIREMENTS</u>	<u>\$ 4,508,143.00</u>	<u>\$ 5,664,823.10</u>	<u>\$ 4,037,443.21</u>
	<u>\$ 19,938,378.00</u>	<u>\$ 19,961,842.35</u>	<u>\$ 17,515,278.04</u>

SCHEDULE 4

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

CONSTRUCTION PROJECT COSTS (NET)

DECEMBER 31, 2021

Construction Costs of Original Treatment Plant, Main Trunk Sewer, and Other Related Facilities (Net)	\$	4,979,288.68
1968-Construction Project		7,056,219.19
1975-Construction Project		1,779,189.33
Plant Expansion and Interconnection		11,373,653.85
Industrial Pretreatment Program		154,544.44
Storage Building		67,175.98
Administrative Office Renovation		306,792.10
Sludge Storage Facility		249,785.10
Thickener Covers-Sludge Grinders		247,351.17
Polymer Storage Facility		135,080.69
Digester Clean Out		126,655.28
Belt Filter Presses		960,626.13
ACCO - Treatment Plant		4,000,000.00
A.C.O. Project		5,634,231.77
1988-1989 Special Project-Basins and Tanks		7,171,177.73
1987-1988 Project A Incinerator		13,892,006.27
Construction Project		1,039,753.65
Equipment		3,379,641.89
Aeration System		1,056,758.37
Miscellaneous		36,180.00
Wetlands Mitigation Land Acquisition		28,500.00
Vehicles		637,326.93
CSP Wastewater Project		21,068,710.55
Relief Interceptor Project		14,676,044.02
Incinerator #2 Rebuild		1,348,545.57
Outfall Relocation Project		19,217,432.71
Intangible Assets (Studies)		1,164,808.19
Land Improvements		1,770,171.10
Two Vaults Construction Near Clarifier		71,280.00
Mercury Emission Control System		11,642,736.15
Storm Control Treatment Facility		33,149,900.26
Plantwide Electrical Rehabilitation Project		5,678,815.09
Sludge Line Replacement (Control Basement to Reactor)		596,352.30
Primary Clarifier #1 and #2 Rehabilitation		614,169.90
Above Ground Fuel Tank (Incineration)		261,651.30
<u>TOTAL CONSTRUCTION COST (NET)</u>	\$	<u>175,572,555.69</u>

SCHEDULE 5

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY
SCHEDULE OF REVENUES FROM CHARGES FOR THE YEAR
ENDED DECEMBER 31, 2022

<u>NAME OF PARTICIPANT</u>	<u>BALANCE</u> <u>JANUARY 1, 2022</u>	<u>2022</u> <u>ANNUAL</u> <u>SERVICE CHARGES</u>	<u>2022</u> <u>REVENUE</u> <u>COLLECTED</u>	<u>BALANCE</u> <u>DECEMBER 31, 2022</u>
Branchburg Township	\$ (263,667.50)	1,963,805.00 \$	1,701,467.80 \$	(1,330.30)
Bridgewater Township	(433,820.42)	5,232,097.00	4,833,961.56	(35,684.98)
Duke Farms	274.32	1,369.00	1,606.48	36.84
Hillsborough Township	(291,824.82)	3,333,288.00	3,431,262.24	(389,799.06)
Manville Borough	(100,682.08)	1,273,056.00	1,254,846.36	(82,472.44)
Denver Road, LLC	(2,101.18)	48,065.00	56,214.12	(10,250.30)
Raritan Borough	88,245.98	1,122,587.00	1,196,190.70	14,642.28
Somerville Borough	(393,639.98)	1,904,435.00	1,495,876.64	14,918.38
Warren Township	62,920.58	831,806.00	799,747.04	94,979.54
Pfizer	72,580.92	272,323.00	318,170.00	26,733.92
	\$ (1,261,714.18) \$	15,982,831.00 \$	15,089,342.94 \$	(368,226.12)

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STATISTICAL SECTION

Somerset Raritan Valley Sewerage Authority
NET POSITION BY COMPONENT

	December 31					
	2022	2021	2020	2019	2018	2017
Net Position Component:						
Invested in capital assets, net of related debt	\$ 29,676,353	\$ 30,598,489	\$ 31,284,012	\$ 33,581,125	\$ 38,429,336	\$ 39,998,946
Restricted	14,766,268	9,464,039	9,035,091	7,254,934	6,822,749	5,476,157
Unrestricted	14,936,277	17,282,190	13,378,132	8,026,353	(792,952)	(8,760,613)
Total	\$ 59,378,898	\$ 57,344,718	\$ 53,697,235	\$ 48,862,412	\$ 44,459,133	\$ 36,714,500
						\$ 40,543,173
						\$ 40,678,147
						\$ 40,944,137
						\$ 15,040,931
						\$ 15,960,987
						\$ (3,120,604)
						\$ 4,173,127
						\$ 52,806,217
						\$ 52,864,364
						\$ 59,995,475

Somerset Raritan Valley Sewerage Authority
CHANGES IN NET POSITION

	December 31					
	2022	2021	2020	2019	2018	2017
Expenses:						
Salaries, Wages & Personnel Costs	\$ 6,612,808	\$ 6,215,767	\$ 6,286,514	\$ 6,100,113	\$ 6,239,322	\$ 6,061,916
Administrative, Office Costs	3,098,362	2,470,488	2,664,195	2,384,542	2,115,984	2,156,680
Facility Operating Costs	1,717,306	1,695,978	1,270,732	1,538,010	1,195,178	1,624,275
Maintenance Costs	2,257,161	2,546,227	1,858,866	1,464,913	1,463,719	1,335,365
Laboratory & Testing Costs	84,546	96,201	66,306	62,299	55,762	53,417
Meters and Instrumentation Costs	507,017	392,875	255,887	270,642	215,638	226,801
Pretreatment Program Costs	43,739	61,299	33,981	32,124	30,157	35,544
Interest Expenses	502,442	223,173	254,164	252,166	213,940	367,618
Depreciation & Amortization	4,359,986	3,010,289	2,976,700	4,698,024	4,220,191	4,179,182
Other Expense	581,103	386,350	0	245,976	0	239,618
Non Cash Pension	(1,160,727)	(1,297,020)	(289,215)	(32,046)	26,214	332,542
Non Cash OPEB	(302,638)	(272,760)	(399,617)	(520,105)	(140,265)	152,982
Total Expenses	\$ 18,301,215	\$ 15,527,927	\$ 14,867,313	\$ 16,496,658	\$ 15,635,239	\$ 16,643,256
Revenues:						
Charges for Services	\$ 16,786,653	\$ 17,104,873	\$ 17,022,523	\$ 18,115,352	\$ 20,431,905	\$ 16,166,674
Connections	1,727,397	1,677,754	2,015,998	1,235,316	1,694,691	917,697
Investment Earnings	751,360	320,029	619,933	783,017	438,886	287,733
Miscellaneous Income	37,268	72,754	33,682	66,252	30,772	35,271
Insurance Proceeds	545,293				642,000	
FEMA Proceeds	487,424					
Gain on Debt Retirement					141,618	
Total Revenues	\$ 20,335,395	\$ 19,175,410	\$ 19,692,136	\$ 20,899,937	\$ 23,379,872	\$ 17,387,275
Change in Net Position	\$ 2,034,180	\$ 3,647,483	\$ 4,824,823	\$ 4,403,278	\$ 7,744,633	\$ 744,019
Net Position-January 1	\$ 57,344,718	\$ 53,697,235	\$ 48,862,412	\$ 44,459,133	\$ 36,714,500	\$ 50,609,782
Prior Period Adjustment						\$ (14,639,301)
Net Position-December 31	\$ 59,378,898	\$ 57,344,718	\$ 53,697,235	\$ 48,862,412	\$ 44,459,133	\$ 36,714,500
						\$ 50,609,782
						\$ 52,885,217
						\$ 52,353,698
						\$ 59,995,475
						\$ 59,928,367
						\$ (9,263,370)
						\$ 52,353,698
						\$ 59,995,475

Somerset Raritan Valley Sewerage Authority
Annual Sewerage Flows and Charges by Participant

Participant/ Customer	Actual Flow in Million Gallons									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Branchburg Township	759,984	745,410	784,719	820,316	946,439	797,940	732,692	713,255	771,625	785,369
Bridgewater Township	2,024,797	2,025,300	2,032,335	2,169,307	2,292,368	1,757,266	1,569,706	1,780,617	1,891,397	1,658,837
Duke Farms	0.530	0.670	0.437	0.603	0.366	0.058	0.148	0.148	0.290	0.290
Hillsborough Township	1,289,967	1,380,070	1,450,121	1,516,996	1,515,383	1,262,597	1,139,368	1,135,573	1,213,077	1,156,300
Manville Borough	492,667	555,310	511,652	608,059	631,584	465,617	430,724	451,387	553,734	464,186
Denver Road LLC	18,601	20,370	23,716	20,789	22,744	17,896	25,936	14,639	18,160	12,710
Raritan Borough	434,436	454,010	421,212	459,972	492,033	387,851	350,452	369,015	405,711	416,190
Somerville Borough	737,008	703,510	730,220	839,623	901,830	624,370	527,819	553,706	798,127	714,316
Warren Township	321,905	324,550	277,511	294,892	355,094	299,073	273,070	277,911	291,594	317,750
Pfizer	105,388	109,520	95,054	250,410	423,390	268,057	260,922	257,319	329,706	315,670
TOTAL GALLONS	5,185,283	5,318,720	5,326,977	6,980,967	7,581,231	5,890,725	5,310,737	5,653,570	6,273,521	5,641,618
Average Daily Flow (mgd)	16,946	17,328	17,334	19,126	20,770	16,112	14,510	15,489	17,188	16,004

Participant/ Customer	Charge in Dollars									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Branchburg Township	1,963,805	1,928,148	2,027,721	2,119,705	2,445,607	2,061,885	1,803,131	1,755,297	1,898,944	1,932,768
Bridgewater Township	5,232,097	5,233,398	5,251,574	5,605,511	5,923,503	4,540,793	3,862,997	4,362,040	4,654,667	4,082,344
Duke Farms	1,369	1,733	1,130	1,559	947	150	117	364	714	713
Hillsborough Township	3,333,288	3,566,115	3,747,127	3,919,933	3,915,765	3,262,563	2,803,948	2,794,607	2,985,343	2,845,617
Manville Borough	1,273,056	1,434,927	1,322,114	1,571,231	1,632,019	1,203,159	1,059,999	1,110,850	1,362,722	1,142,348
Denver Road LLC	48,065	52,636	61,282	53,716	58,770	47,287	63,828	45,036	45,036	45,036
Raritan Borough	1,122,587	1,173,160	1,098,417	1,186,571	1,271,418	1,002,210	862,451	906,134	998,443	1,024,230
Somerville Borough	1,904,435	1,817,871	1,886,897	2,169,595	2,330,338	1,810,874	1,729,371	1,724,646	1,964,165	1,757,909
Warren Township	831,806	838,843	717,091	782,004	917,566	772,808	672,016	683,930	717,850	781,973
Pfizer	272,323	283,005	245,620	647,063	1,094,043	692,662	642,121	633,254	811,395	776,854
TOTAL \$	15,982,831	16,327,636	16,348,973	18,038,690	19,589,976	15,394,391	13,499,979	14,038,158	15,439,279	14,389,790

* Somerville Assured Minimum Charge in 2015 & 2016 & 2017
 **Denver Road, LLC 2013, 2014 & 2015 & 2017 charge is "assured minimum"

CHARGE PER MILLION GALLONS \$2,584.01 \$2,584.01 \$2,584.01 \$2,460.96 \$2,460.96 \$2,460.96

SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

ACTUAL VS. ESTIMATED FLOWS AND CHARGES FOR 2022

Participant/Customer	Flow in Millions Gallons		Cumulative Difference (Actual - Estimated)
	Actual Flow	Estimated Flow	
Branchburg Township	759.98	760.50	(0.52)
Bridgewater Township	2,024.80	2,038.61	(13.81)
Duke Farms	0.53	0.52	0.01
Hillsborough Township	1,289.97	1,440.82	(150.85)
Manville Borough	492.67	524.58	(31.92)
Denver Road, LLC	18.60	22.57	(3.97)
Raritan Borough	434.44	428.77	5.67
Somerville Borough	737.01	731.24	5.77
Warren Township	321.91	285.15	36.76
Pfizer	105.388	0.00	105.39
	<u>6,185.28</u>	<u>6,232.74</u>	<u>(47.46)</u>

Participant/Customer	Charge in Dollars		Cumulative Difference (Actual - Estimated)
	Actual Charge	Estimated Charge	
Branchburg Township	1,963,805 \$	1,965,134 \$	(1,329)
Bridgewater Township	5,232,097	5,267,781	(35,684)
Duke Farms	1,369	1,331	38
Hillsborough Township	3,333,288	3,723,087	(389,799)
Manville Borough	1,273,056	1,355,527	(82,471)
Denver Road, LLC	48,065	58,315	(10,250)
Raritan Borough	1,122,587	1,107,944	14,643
Somerville Borough	1,904,435	1,889,516	14,919
Warren Township	831,806	736,827	94,979
Pfizer	272,323	0	272,323
	<u>\$ 15,982,831</u>	<u>\$ 16,105,462</u>	<u>\$ (122,631)</u>

Somerset Raritan Valley Sewerage Authority
RATIO ANALYSIS INVOLVING
LONG TERM DEBT

	December 31										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Loans Payable	51,130,388	53,240,817	43,202,232	21,683,144	21,086,062	16,935,804	15,551,734	16,528,847	18,869,299	21,154,770	
Net Pension Liability	6,790,179	5,496,524	7,612,263	8,602,328	9,051,007	10,854,514	14,444,585	10,317,054	9,040,146		
OPFB Liability	10,335,257	11,255,263	11,022,989	7,994,485	10,135,519	12,848,398	14,868,962				
Total Long Term Debt	\$ 68,255,824	\$ 69,992,604	\$ 61,837,484	\$ 38,279,957	\$ 40,274,588	\$ 40,438,716	\$ 44,865,181	\$ 26,845,901	\$ 27,909,445	\$ 21,154,770	

Cumulative Minimum Assured Billing (MAB)	\$ 5,687,406	\$ 5,687,406	\$ 5,687,406	\$ 5,687,406	\$ 5,687,406	\$ 5,431,307	\$ 5,416,590	\$ 5,416,590	\$ 5,416,590	\$ 5,416,590
Percentage of Long Term Debt	8.33%	8.13%	9.20%	14.86%	14.12%	13.43%	12.07%	20.18%	19.41%	25.60%

Population of Municipal Participants*	152,945	152,337	151,119	143,991	144,478	144,612	144,421	144,498	144,368	144,133
Long Term Debt Per Capita	\$ 446.28	\$ 459.46	\$ 409.20	\$ 265.85	\$ 278.76	\$ 279.64	\$ 310.66	\$ 185.79	\$ 193.32	\$ 146.77

DEBT SERVICE COVERAGE

	December 31										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Net Available Revenue for Debt Service**	\$ 17,416,425	\$ 17,394,789	\$ 17,567,833	\$ 19,501,448	\$ 20,875,747	\$ 16,291,802	\$ 14,229,701	\$ 14,743,600	\$ 16,203,303	\$ 15,165,454	
Debt Service:											
Principal	\$ 2,244,400	\$ 1,609,899	\$ 1,589,874	\$ 1,407,554	\$ 2,451,748	\$ 2,392,342	\$ 2,333,645	\$ 2,278,665	\$ 2,241,217	\$ 2,480,117	
Interest	410,218	223,173	254,164	252,165	213,940	244,934	367,618	411,440	515,348	576,871	
Total Debt Service	\$ 2,654,618	\$ 1,833,072	\$ 1,844,038	\$ 1,659,720	\$ 2,665,688	\$ 2,637,276	\$ 2,701,263	\$ 2,690,105	\$ 2,756,565	\$ 3,056,988	
Coverage Ratio (Net Available Revenue for Debt Service/Total Debt Service)	6.56	9.49	9.53	11.75	7.83	6.18	5.27	5.48	5.88	4.86	

* Source: NJ Division of Labor & Workforce Development

** Available revenue excludes Connection fees and IPP Billing and Insurance Settlement and FEMA Proceeds

**Somerset Raritan Valley Sewerage Authority
DEMOGRAPHIC, ECONOMIC & OPERATING INFORMATION
FOR SOMERSET COUNTY**

<u>Year</u>	<u>Population*</u>	<u>Median Houshold Income</u>	<u>Annual Rainfall**</u>	<u>SRVSA Full Time Employees</u>
2013	329,047	96,947	41.23	46
2014	329,329	100,194	48.49	45
2015	329,626	99,059	39.39	43
2016	329,875	104,668	32.92	41
2017	330,573	106,046	46.51	42
2018	330,181	111,772	61.64	41
2019	328,934	111,587	56.85	41
2020	345,014	113,611	46.30	38
2021	345,647	121,695	50.05	39
2022	346,875	Not Available	44.26	39

*Statistical Data derived from NJ Division of Labor & Workforce Development and United States Census Bureau and do not reflect the population served.

**Statistical Data derived from National Weather Service (Rainfall # metric is inches)

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

DECEMBER 31, 2022

GENERAL COMMENTS AND RECOMMENDATIONS

NONE