

**THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY**

**BRIDGEWATER, NJ 08807**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT &  
REPORT OF AUDIT**

**FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2023 AND 2022**



**Prepared By: Finance Department**

**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023  
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**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
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# INTRODUCTORY SECTION



The  
Somerset Raritan Valley  
Sewerage Authority

December 7, 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, 2023.

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, 2022 & 2023, 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, 2022 & 2023 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 – 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 75,191 Equivalent Dwelling Units throughout this regional area as of December 31, 2023.

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 348,842 based on the 2020 census rolled forward to 2023. 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 \$142,092 for the year 2023. The annual average unemployment rate within Somerset County was 3.8%, which is below the average state unemployment rate of 4.4% for the 2023 calendar year.

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 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**

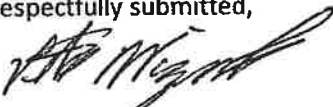
The amount of money needed to pay back debt increased slightly for calendar year 2023 to \$3.23 million in annual debt service from \$2.65 million in 2022. The 2024 adopted budget appropriated \$3.3 million for debt service as the debt load was anticipated to increase slightly in 2024 with moderation expected for 2025 due to the retirement of the relief interceptor Project in 2024. 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. 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 in 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.

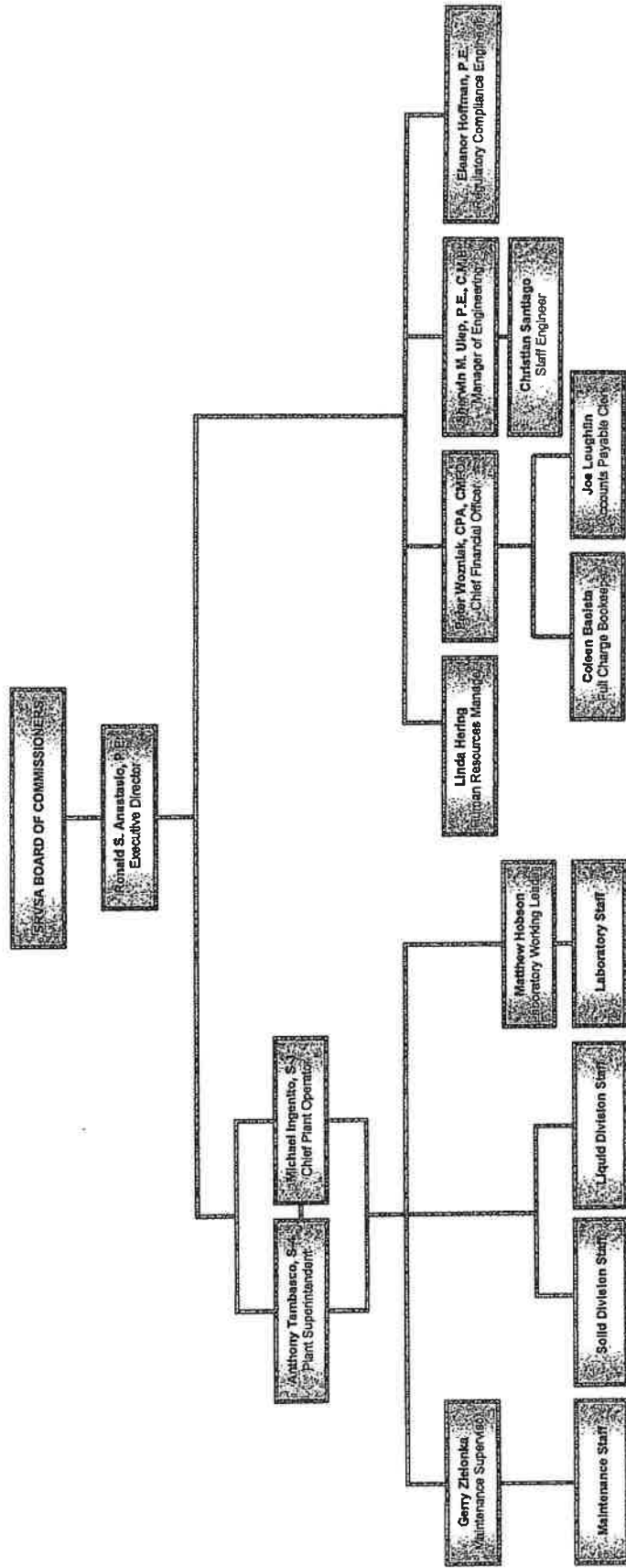
Respectfully submitted,



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



Somerset Raritan Valley Sewerage Authority  
2023 Organization Chart



**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
BOARD OF COMMISSIONERS AND EXECUTIVE DIRECTOR  
DECEMBER 31, 2023**

Joseph J. Lifreri – Bridgewater	Chairman
Edward J. Machala - Raritan	Vice-Chairman
Reinhardt Pratt - Branchburg	Secretary
Robert Albano - Bridgewater	Treasurer
Pamela Borek - Hillsborough	Member
Daniel Croson - Warren	Member
Gary DiNardo – Warren	Member
Vincent Dominach Jr. - Somerville	Member
John Murphy - Raritan	Member
Michael Pappas – Branchburg	Member
Philip E. Petrone - Manville	Member
Frank Scarantino - Hillsborough	Member
Ronald S. Anastasio	Executive Director

# FINANCIAL SECTION



# SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

## 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, 2023 and 2022 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, 2023 and 2022, 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.

### ***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.

## SUPLEE, CLOONEY & COMPANY LLC

### ***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.

## **SUPLEE, CLOONEY & COMPANY LLC**

### ***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 LLC**

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024 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.

December 6, 2024

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the date.



# SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023 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 December 6, 2024.

***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 LLC

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.

December 6, 2024

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the date.

# **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, 2023 and 2022. 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, 2023 and 2022. 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, 2023 total net position was \$63.7 million which is an increase from the prior year of about \$4.3 million. The reason for the increase was that the Authority's revenue exceeded expenses by about \$4.3 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 2023 in the amount of about \$24 thousand. Applying GASB #75 Other Post Employment Benefits other than pensions lowered expense recognition for retiree healthcare by about \$472 thousand. The contractual OPEB expense paid according to State Health Benefit Program as well as Medicare Part B reimbursements was about \$526 thousand. GASB #75 accounting, which is only recognized for accrual accounting and financial reporting purposes reduced OPEB expense to \$53 thousand.

Total revenue earned by the Authority during 2023 was about \$22.0 million, consisting of about \$19.5 million earned from operating activities and about \$2.5 million earned on cash management investments and other interest earning investment activities. Comparatively, during 2022 total revenue earned by the Authority was about \$20.3 million comprised of \$19.6 million earned from operating activities and \$751 thousand earned from investments. During 2023 revenue increased generally because participant flow revenue increased about \$1.7 million due to the combined effects of a 5% rate increase on participant sewerage and increased sewerage flow volume from participants. Also, increasing interest rates throughout 2023 propelled investment income higher by about \$1.75 million from the prior year. Offsetting the participant flow and investment revenue gains from the prior year is a reduction of about \$687 thousand of insurance proceeds compared to 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 2023 were about \$17.6 million. Operating expenses were \$12.9 million, depreciation & amortization was about \$4.3 million and interest expense on debt was about \$450 thousand. Total operating expenses, exclusive of interest & depreciation, increased only about \$40 thousand when compared with 2022. Personnel costs increased \$302 thousand, and office, permit, insurance and utility costs increased a combined \$293 thousand compared to calendar year 2022. Facility operating expenses and maintenance costs decreased a combined \$575 thousand when 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 \$1.2 million during the year 2023. 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 interest earnings and participant flow well over budget and underspending the operating budget were the most significant positive factors. The positive results compared to the 2023 budget (Schedule #3 Page 67& 68) enabled the Authority to forgo using rate stabilization and capital project reserves used to balance the 2023 budget and still increase its cash position \$1.2 million. 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 transitioned its focus to new capital projects in 2023 after completing the storm control treatment facility and plantwide electrical rehabilitation project in 2022. During 2023 the Authority's engineering design of the plantwide mechanical rehabilitation project, original interceptor/force main rehabilitation project and storm control pump station relocation project started to ramp up. Further the Authority improved its supervisory control and data acquisition (SCADA) information technology system used to help manage the wastewater treatment. About \$1.1 million of construction in process costs were added for these four projects in 2023. The aeration blower rebuild project was completed in 2023 with capital fund money, with approximately \$235 thousand dollars of equipment costs to be depreciated over 10 years. 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.

In addition to these capital projects, the Authority used operating budget funds to emergency weld the top of the reactor after displacement, clean the blend tank of grease and debris, purchase a new set of rollers for belt filter press #3, a transformer rectifier set for the wet electrostatic precipitator, demolished legacy thickener #1 and #2 and purchased a city water booster pump skid. In addition to these projects related to the reactor, the Authority constructed a valve vault for primary clarifier #3 including replacement piping, build a flood wall around the aeration blower, replaced backflow prevention valves as well as the odor control assembly, purchased new rotating assemblies for the final clarifiers and magnesium mixers for primary treatment and repaired various pumps due to failure. A spare linear actuator for the final clarifiers and various spare variable frequency drives were purchased in 2023. Also noteworthy is the purchase of several vehicles in 2023 utilizing cooperative purchasing contracts to be used regularly by various authority staff.

### **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' liability was \$6,944,414 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 12/31/2022	\$53,914,542
Loans Taken	\$0
Scheduled Loan Retirements	\$2,820,254
Loans Payable at 12/31/2023	<u>\$51,094,288</u>

## **Capital Improvement Plan**

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

### **Planning & Design Phase @ 12/31/23:**

Original Interceptor Replacement/Rehabilitation	\$45,000,000
Plantwide Mechanical Rehabilitation	\$90,000,000
Storm Control Pump Station Rehabilitation	\$8,000,000

### **Future Capital Construction:**

Incinerator #2 Refurbishment & Related Equipment	\$5,600,000
Settled Sewage Pump Station Piping & Pump Replacement	\$550,000
New Administration Building	\$4,000,000
Energy Usage Mitigation Project	\$4,500,000
Incinerator SCADA Rehabilitation	\$2,000,000
Basement Fire Sprinkler System for 600 Building & Monitor	\$250,000
New Flowmeters & appurtenances	\$240,000

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

	2023	December 31		Variance (2023-2022)	
		2022	2021	Dollars	%
<b>Assets:</b>					
Cash and Investments	\$ 56,685,694	\$ 55,476,835	\$ 54,712,202	\$ 1,208,859	2.2%
Property, Plant and Equipment - Net	77,157,691	80,772,594	83,576,185	\$ (3,614,903)	-4.5%
Other Assets	3,284,676	1,281,266	791,729	\$ 2,003,410	156.4%
<b>Deferred Outflows of Resources:</b>					
Pension Related	524,764	444,357	285,669	80,407	18.1%
OPEB Related	6,054,587	3,541,917	3,397,396	2,512,670	70.9%
<b>Total Assets &amp; Deferred Outflow of Resources</b>	<b>\$ 143,707,412</b>	<b>\$ 141,516,969</b>	<b>\$ 142,763,181</b>	<b>\$ 2,190,443</b>	<b>1.5%</b>
<b>Liabilities:</b>					
Current Liabilities	\$ 2,394,918	\$ 3,216,357	\$ 3,827,629	\$ (821,439)	-25.5%
Loans Payable	51,094,288	53,914,542	55,423,506	\$ (2,820,254)	-5.2%
Net Pension Liability	6,944,414	6,790,179	5,496,524	\$ 154,235	2.3%
Net OPEB Liability	11,879,740	10,335,257	11,255,263	\$ 1,344,483	13.0%
<b>Total Liabilities</b>	<b>\$ 72,113,360</b>	<b>\$ 74,256,335</b>	<b>\$ 76,002,922</b>	<b>\$ (2,142,975)</b>	<b>-2.9%</b>
<b>Deferred Inflows of Resources:</b>					
Pension Related	\$ 689,616	\$ 1,428,320	\$ 3,724,014	\$ (738,704)	-51.7%
OPEB Related	\$ 7,148,943	\$ 6,453,417	\$ 5,691,527	\$ 695,526	10.8%
<b>Total Liabilities &amp; Deferred Inflow of Resources</b>	<b>\$ 79,951,919</b>	<b>\$ 82,138,072</b>	<b>\$ 85,418,463</b>	<b>\$ (2,186,153)</b>	<b>-2.7%</b>
<b>Net Position:</b>					
Invested in Capital Assets net of Related Liabilities	\$ 30,028,817	\$ 29,676,353	\$ 30,598,489	\$ 352,464	1.2%
Reserves	15,338,592	14,766,268	9,464,039	\$ 572,324	3.9%
Unrestricted	18,388,084	14,936,277	17,282,190	\$ 3,451,807	-23.1%
<b>Total Net Position</b>	<b>\$ 63,755,493</b>	<b>\$ 59,378,898</b>	<b>\$ 57,344,718</b>	<b>\$ 4,376,595</b>	<b>7.4%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 143,707,412</b>	<b>\$ 141,516,970</b>	<b>\$ 142,763,181</b>	<b>\$ 2,190,442</b>	<b>1.5%</b>

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

	2023	December 31		Variance (2023-2022)	
		2022	2021	Dollars	%
<b>Operating Revenues:</b>					
Service Charges	\$ 17,680,659	\$ 15,982,831	\$ 16,327,635	\$ 1,697,828	10.6%
Septic and Sludge Revenue	669,245	613,513	631,382	\$ 55,732	9.1%
Connection Fees	587,916	1,727,397	1,677,754	\$ (1,139,481)	-66.0%
Other	574,337	1,260,294	218,611	\$ (685,957)	-54.4%
<b>Total operating revenues</b>	<b>\$ 19,512,157</b>	<b>\$ 19,584,035</b>	<b>\$ 18,855,382</b>	<b>\$ (71,878)</b>	<b>-0.4%</b>
<b>Operating expenses:</b>					
Operations and Maintenance	\$ 12,898,785	\$ 12,857,674	\$ 11,908,115	\$ 41,111	0.3%
Depreciation & Amortization	4,273,698	4,359,996	3,010,289	\$ (86,298)	-2.0%
<b>Total operating expenses</b>	<b>\$ 17,172,483</b>	<b>\$ 17,217,670</b>	<b>\$ 14,918,404</b>	<b>\$ (45,187)</b>	<b>-0.3%</b>
<b>Operating income</b>	<b>\$ 2,339,674</b>	<b>\$ 2,366,365</b>	<b>\$ 3,936,978</b>	<b>\$ (26,691)</b>	<b>-1.1%</b>
<b>Non operating (expenses) revenues</b>	<b>\$ 2,036,921</b>	<b>\$ (332,185)</b>	<b>\$ (289,495)</b>	<b>\$ 2,369,106</b>	<b>713.2%</b>
<b>Change in net position</b>	<b>\$ 4,376,595</b>	<b>\$ 2,034,180</b>	<b>\$ 3,647,483</b>	<b>\$ 2,342,415</b>	<b>115.2%</b>
<b>Net Position, Beginning of Year</b>	<b>\$ 59,378,898</b>	<b>\$ 57,344,718</b>	<b>\$ 53,697,235</b>	<b>\$ 2,034,180</b>	<b>3.5%</b>
<b>Net Position, End of Year</b>	<b>\$ 63,755,493</b>	<b>\$ 59,378,898</b>	<b>\$ 57,344,718</b>	<b>\$ 4,376,595</b>	<b>7.4%</b>

# **BASIC FINANCIAL STATEMENTS**



THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION  
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Restricted Assets:		
Connection Capital Account:		
Cash and Cash Equivalents	\$ 15,338,591.96	\$ 15,016,267.66
<u>TOTAL CURRENT RESTRICTED ASSETS</u>	<u>\$ 15,338,591.96</u>	<u>\$ 15,016,267.66</u>
Current Unrestricted Assets:		
Operating Account:		
Cash and Cash Equivalents	\$ 2,463,387.93	\$ 1,866,158.89
Escrow Funds Held	12,106.56	12,094.50
Revenue Account:		
Cash and Cash Equivalents	1,629,543.73	5,281,544.80
Accounts Receivable-Participant Flow	879,459.77	-
Accounts Receivable-Septage and Sludge	94,068.75	62,158.00
Accounts Receivable-Industrial Pretreatment Program	92,237.50	137,901.00
Accounts Receivable-Groundwater	-	4,038.32
Due From Flexible Spending Account	12,541.29	17,912.99
Debt Service Account:		
Cash and Cash Equivalents	301,470.53	311,775.99
Debt Service Reserve Account:		
Cash and Cash Equivalents	1,769,417.32	1,686,672.81
General Account:		
Cash and Cash Equivalents	28,852,335.71	22,909,394.47
Investments	5,960,845.44	5,891,309.09
Accounts Receivable-Interest	62,545.00	62,545.00
Construction Account:		
Cash and Cash Equivalents	357,994.71	2,501,616.88
<u>TOTAL CURRENT UNRESTRICTED ASSETS</u>	<u>\$ 42,487,954.24</u>	<u>\$ 40,745,122.74</u>
Long Term Capital Assets:		
Property, Plant and Equipment	175,058,825.87	174,407,747.50
Intangible Assets	1,164,808.19	1,164,808.19
Less: Accumulated Depreciation	97,947,307.12	93,694,792.56
Less: Accumulated Amortization	1,118,635.46	1,105,169.60
	<u>\$ 77,157,691.48</u>	<u>\$ 80,772,593.53</u>
Construction in Progress	\$ 2,143,823.73	\$ 996,711.81
Deferred Outflow of Resources:		
Pension Related	524,764.00	444,357.00
Other Post Employment Charges	6,054,586.77	3,541,917.43
<u>TOTAL ASSETS &amp; DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 143,707,412.18</u>	<u>\$ 141,516,970.17</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION  
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 1,375,140.72	\$ 1,889,391.87
Participant Refunds	-	368,226.12
Accrued Expenses	127,264.96	114,955.36
Escrow Account	12,106.56	12,094.50
Pension Contribution Payable	640,787.00	567,393.00
FSA Advance	14,826.39	21,554.38
Interest Payable	224,792.85	242,742.16
Current Portion of Intergovernmental Loans Payable	<u>2,810,566.17</u>	<u>2,784,154.68</u>
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS</b>	<b>\$ 5,205,484.65</b>	<b>\$ 6,000,512.07</b>
Noncurrent Liabilities:		
Long - Term Portion of Intergovernmental Loans	\$ 48,283,721.98	\$ 51,130,387.51
Net Pension Liability	6,944,414.00	6,790,179.00
Net Other Post Employment Liability	<u>11,679,740.00</u>	<u>10,335,257.00</u>
<b>Total Noncurrent Liabilities</b>	<b>\$ 66,907,875.98</b>	<b>\$ 68,255,823.51</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 72,113,360.63</b>	<b>\$ 74,256,335.58</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Related	689,616.00	1,428,320.00
Other Post Employment Charges	<u>7,148,943.00</u>	<u>6,453,417.00</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 7,838,559.00</b>	<b>\$ 7,881,737.00</b>
Net Position:		
Net Investment in Capital Assets	\$ 30,028,816.91	\$ 29,676,353.00
Restricted:		
Connection Capital	15,338,591.96	14,766,267.66
Unrestricted:		
Debt Service Reserve	1,769,417.32	1,686,672.81
Rate Stabilization	5,533,990.00	4,984,595.00
Reserve for Future Capital Project	7,000,000.00	7,000,000.00
Unrestricted	<u>4,084,676.36</u>	<u>1,265,009.12</u>
<b>TOTAL NET POSITION</b>	<b>\$ 63,755,492.55</b>	<b>\$ 59,378,897.59</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 143,707,412.18</b>	<b>\$ 141,516,970.17</b>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Service Charges-Participants	\$ 17,680,659.00	\$ 15,982,831.00
Septage and Sludge Dumping Charges	669,245.40	613,513.00
Connection Fees	587,916.00	1,727,397.00
Insurance Proceeds	345,620.56	1,032,717.35
Pretreatment Program	138,298.00	158,856.00
Ground Water Discharge	44,482.24	25,602.90
Review Fees	4,050.00	5,850.00
Miscellaneous Income	41,885.98	37,267.73
	<u>19,512,157.18</u>	<u>19,584,034.98</u>
TOTAL OPERATING REVENUES	\$	\$
Operating Expenses Exclusive of Interest and Depreciation	<u>12,898,785.20</u>	<u>12,857,674.66</u>
	\$	\$
Operating Income Before Interest, Depreciation & Amortization	<u>6,613,371.98</u>	<u>6,726,360.32</u>
	\$	\$
Depreciation	4,260,232.06	4,239,809.18
Amortization	13,465.86	120,186.90
	<u>2,339,674.06</u>	<u>2,366,364.24</u>
OPERATING INCOME	\$	\$
Non-Operating Revenue (Expense):		
Interest Earned on Investments	2,418,451.58	751,360.36
Investment Fees	(170.00)	
Unrealized Holding Gain (Loss) on Treasury Notes	69,536.35	(103,389.43)
Bond Issue Expenses	-	(477,713.75)
Interest Expense - Debt Service	(450,897.03)	(502,442.41)
	<u>2,036,920.90</u>	<u>(332,185.23)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	\$	\$
Change in Net Position	\$ 4,376,594.96	\$ 2,034,179.01
Net Position, Beginning of Year	<u>59,378,897.59</u>	<u>57,344,718.58</u>
Net Position, End of Year	<u>\$ 63,755,492.55</u>	<u>\$ 59,378,897.59</u>

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

EXHIBIT C

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Participants	\$ 16,432,973.11	\$ 15,089,342.94
Receipts from Septic and Sludge	637,334.65	621,949.00
Receipts from Connections	587,916.00	1,727,397.00
Insurance Proceeds	345,620.56	1,032,717.35
Miscellaneous Receipts	280,351.86	195,504.05
Payments to Suppliers	(7,060,366.40)	(8,033,120.88)
Payments for Personnel Expenses	(7,174,734.79)	(6,289,636.25)
Payment for Bond Administration	(101,288.74)	(70,541.87)
	<u>\$ 3,927,806.25</u>	<u>\$ 4,273,611.34</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
State of NJ - Construction Loan	\$ -	\$ 686,674.00
Acquisition of Capital Assets	(1,917,665.00)	(1,733,608.52)
State of NJ - DEP Bonding Fee	-	(372,852.00)
Bond Rating Fees	-	(20,000.00)
Principal Payments on Debt	(2,784,154.68)	(2,244,400.07)
Interest Paid on Bonds	(504,945.70)	(410,217.70)
	<u>\$ (5,206,765.38)</u>	<u>\$ (4,094,404.29)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	\$ 2,418,451.58	\$ 688,815.36
Unrealized Treasury Holding Gain (Loss)	69,536.35	(103,389.43)
Investment Fee	(170.00)	-
	<u>\$ 2,487,817.93</u>	<u>\$ 585,425.93</u>
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 2,487,817.93</u>	<u>\$ 585,425.93</u>
<u>Net Change in Cash and Cash Equivalents</u>	<u>\$ 1,208,858.80</u>	<u>\$ 764,632.98</u>
Cash and Cash Equivalents, Beginning of Year	<u>55,476,835.09</u>	<u>54,712,202.11</u>
Cash and Cash Equivalents, End of Year	<u>\$ 56,685,693.89</u>	<u>\$ 55,476,835.09</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>		
Operating Income	\$ 2,339,674.06	\$ 2,366,364.24
Depreciation	4,260,232.06	4,239,809.18
Amortization	13,465.86	120,186.90
Changes in operating assets and liabilities:		
Accounts Receivable	(856,297.00)	(54,501.02)
Accounts Payable	(882,465.19)	(777,360.77)
Accrued Expenses	12,309.60	8,935.97
FSA Liability	(6,727.99)	4,809.42
Pension Contribution Payable	73,394.00	24,020.00
GASB 68 Pension Expense Adjustment	(664,876.00)	(1,160,727.00)
GASB 75 OPEB Expense Adjustment	(472,660.34)	(302,637.59)
Connection Fund Reimbursement	9,856.95	1,379.20
Cash Fixed Asset Capitalization Adjustments	101,900.24	(196,667.19)
	<u>\$ 3,927,806.25</u>	<u>\$ 4,273,611.34</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 3,927,806.25</u>	<u>\$ 4,273,611.34</u>

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, 2023, AND 2022

(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, 2023, AND 2022

(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, 2023, AND 2022

(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, 2023, AND 2022

(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	30-45 years
Treatment Facilities	30-45 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 recommended criteria established by the Government Finance Officers Association, Best Practices - Accounting for Governmental Fixed Assets. Accordingly, management has established a capitalization level of \$10,000. 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, 2023, AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Expense

Interest payments due February 1, 2024 are reflected in these statements as of December 31, 2023.

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, 2023, AND 2022

(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, 2023, AND 2022

(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, 2023, AND 2022

(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, 2023, AND 2022

(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>2023</u>	<u>2022</u>
Checking and Savings Accounts	\$22,541,161.96	\$25,143,335.24
State of NJ – Cash Management Fund	12,408,810.27	11,811,863.21
Certificates of Deposit	9,290,703.41	3,236,414.14
United States Treasury Obligations	<u>12,445,018.25</u>	<u>15,285,222.50</u>
	<u>\$56,685,693.89</u>	<u>\$55,476,835.09</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, 2023, AND 2022

The Authority has the following recurring fair value measurements as of December 31, 2023:

- U.S. Treasury Notes of \$5,960,845.44 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:

2024	2,810,566
2025	2,526,885
2026	2,566,868
2027	2,611,273
2028	<u>1,815,914</u>
2029 AND AFTER	<u>38,762,782</u>
INTERIM LOANS	0.00
TOTAL LOANS OUTSTANDING	<u>\$ 51,094,288</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE - DECEMBER 31, 2023

YEAR OF MATURITY	<u>TOTAL</u>	<u>NJ I-BANK DATED NOVEMBER 24, 2004</u>	<u>STATE OF NJ INTEREST FREE DATED NOVEMBER 24, 2004</u>	<u>NJ I-BANK DATED NOVEMBER 8, 2007</u>	<u>STATE OF NJ INTEREST FREE DATED NOVEMBER 8, 2007</u>
		<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>
2024	1,079,654.34	195,000.00	0.00%	134,247.32	1.65%
2025	770,970.07			425,000.00	0.75%
2026	790,953.99			445,000.00	0.00%
2027	810,358.95			465,000.00	0.00%
		<u>\$ 195,000.00</u>		<u>\$ 1,820,000.00</u>	
				<u>\$ 134,247.32</u>	
					<u>\$ 1,302,690.03</u>

Interest and Principal Mature February 1 and August 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE CONT. - DECEMBER 31, 2023

YEAR OF MATURITY	TOTAL	NJ I-BANK		STATE OF NJ		NJ I-BANK		STATE OF NJ	
		INTEREST RATE	PRINCIPAL	INTEREST FREE DATED	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST FREE DATED	PRINCIPAL
				DECEMBER 2, 2009		DECEMBER 2, 2009		MAY 23, 2019	MAY 23, 2019
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

\$ 11,491,180.29

\$ 990,000.00 \$ 776,406.39

\$ 2,595,000.00 \$ 7,129,773.90

Interest and Principal Mature February 1 and August 1



THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE CONT. - DECEMBER 31, 2023

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
2024	1,101,319.86	5.00%	155,000.00	5.00%	803,753.05	5.00%	50,000.00	5.00%	92,566.81
2025	1,116,319.86	5.00%	165,000.00	5.00%	803,753.05	5.00%	55,000.00	5.00%	92,566.81
2026	1,126,319.86	5.00%	175,000.00	5.00%	803,753.05	5.00%	60,000.00	5.00%	92,566.81
2027	1,136,319.86	5.00%	180,000.00	5.00%	803,753.05	5.00%	60,000.00	5.00%	92,566.81
2028	1,146,319.86	5.00%	190,000.00	5.00%	803,753.05	5.00%	65,000.00	5.00%	92,566.81
2029	1,161,319.86	5.00%	200,000.00	5.00%	803,753.05	5.00%	70,000.00	5.00%	92,566.81
2030	1,176,319.86	5.00%	210,000.00	5.00%	803,753.05	5.00%	70,000.00	5.00%	92,566.81
2031	1,186,319.86	5.00%	220,000.00	5.00%	803,753.05	5.00%	75,000.00	5.00%	92,566.81
2032	1,201,319.86	4.00%	230,000.00	5.00%	803,753.05	5.00%	80,000.00	5.00%	92,566.81
2033	1,216,319.86	3.00%	240,000.00	5.00%	803,753.05	3.25%	80,000.00	5.00%	92,566.81
2034	1,226,319.86	3.00%	250,000.00	5.00%	803,753.05	3.38%	85,000.00	5.00%	92,566.81
2035	1,236,319.86	3.00%	255,000.00	5.00%	803,753.05	3.38%	90,000.00	5.00%	92,566.81
2036	1,251,319.86	3.00%	265,000.00	5.00%	803,753.05	3.38%	90,000.00	5.00%	92,566.81
2037	1,256,319.86	3.00%	270,000.00	5.00%	803,753.05	3.50%	95,000.00	5.00%	92,566.81
2038	1,276,319.86	3.00%	280,000.00	5.00%	803,753.05	3.50%	100,000.00	5.00%	92,566.81
2039	1,276,319.86	3.00%	285,000.00	5.00%	803,753.05	3.50%	105,000.00	5.00%	92,566.81
2040	1,291,319.86	2.00%	295,000.00	5.00%	803,753.05	3.50%	105,000.00	5.00%	92,566.81
2041	1,301,319.86	2.00%	300,000.00	5.00%	803,753.05	3.50%	105,000.00	5.00%	92,566.81
2042	1,306,319.86	2.13%	305,000.00	5.00%	803,753.05	3.63%	110,000.00	5.00%	92,566.81
2043	1,321,319.86	2.13%	315,000.00	5.00%	803,753.05	3.63%	115,000.00	5.00%	92,566.81
2044	1,331,319.86	2.13%	320,000.00	5.00%	803,753.05	4.00%	120,000.00	5.00%	92,566.81
2045	1,341,319.86	2.13%	325,000.00	5.00%	803,753.05	4.00%	125,000.00	5.00%	92,566.81
2046	1,356,319.86	2.13%	335,000.00	5.00%	803,753.05	4.00%	130,000.00	5.00%	92,566.81
2047	1,366,319.86	2.25%	340,000.00	5.00%	803,753.05	4.00%	135,000.00	5.00%	92,566.81
2048	1,381,319.86	2.25%	350,000.00	5.00%	803,753.05	4.00%	140,000.00	5.00%	92,566.81
2049	1,391,319.86	2.25%	355,000.00	5.00%	803,753.05	4.00%	145,000.00	5.00%	92,566.81
2050	1,406,319.86	2.25%	365,000.00	5.00%	803,753.05	4.00%	150,000.00	5.00%	92,566.81
2051	1,421,320.34	2.25%	375,000.00	5.00%	803,753.23	4.00%	150,000.00	5.00%	92,567.11
	<u>\$ 35,301,956.56</u>		<u>\$ 7,550,000.00</u>		<u>\$ 22,505,085.58</u>		<u>\$ 2,655,000.00</u>		<u>\$ 2,591,870.98</u>

Interest and Principal Mature February 1 and August 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(7) CHANGES IN LONG TERM DEBT

	Outstanding January 1st 2023	Additions	Deductions	Outstanding December 31 2023
Interim Loans	0.00	0.00	0.00	0.00
Loans Payable	<u>51,130,387.51</u>	<u>0.00</u>	<u>2,846,665.53</u>	<u>48,283,721.98</u>
Total	\$ <u>51,130,387.51</u>	\$ <u>0.00</u>	\$ <u>2,846,665.53</u>	<u>48,283,721.98</u>

(8) PROPERTY PLANT AND EQUIPMENT & INTANGIBLE ASSETS

Details of property, plant and equipment & intangible assets as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Original Treatment Plant	\$2,138,512.41	\$ 2,138,512.41
Additional Treatment Facilities	79,799,001.60	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	33,145,525.50	33,149,900.26
Plantwide Electrical Rehabilitation	5,682,975.09	5,678,815.09
Intangible Assets	1,164,808.19	1,164,808.19
Land, Easements & Land Impr.	2,161,712.75	2,161,712.75
Equipment	6,080,151.84	5,651,140.56
Vehicles	787,458.80	637,326.93
Miscellaneous	<u>36,180.00</u>	<u>36,180.00</u>
	\$176,223,634.06	\$175,572,555.69
Less: Accumulated Depreciation	97,947,307.12	93,694,792.56
Less: Accumulated Amortization	<u>1,118,635.46</u>	<u>1,105,169.6</u>
Net, Property, Plant and Equipment & Intangibles	\$ <u>77,157,691.48</u>	\$ <u>80,772,593.53</u>
Construction in Progress	<u>\$2,143,823.73</u>	<u>\$ 996,711.81</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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, 2023:

	<u>Balance</u> <u>January 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2023</u>
Original Treatment Plant	\$ 2,138,512.41			\$2,138,512.41
Additional Treatment Facilities	79,726,851.62	\$72,149.98		79,799,001.60
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	5,482.16	\$9,856.92	33,145,525.50
Plantwide Electrical Rehabilitation	5,678,815.09	4,160.00		5,682,975.09
Intangible Assets	1,164,808.19			1,164,808.19
Land & Improvements	2,161,712.75			2,161,712.75
Equipment	5,651,140.56	436,729.19	7,717.50	6,080,152.25
Vehicles	637,326.93	150,131.46		787,458.39
Miscellaneous	<u>36,180.00</u>			<u>36,180.00</u>
Historical Cost Balance	<u>\$175,572,555.69</u>	<u>\$668,652.79</u>	<u>\$17,574.42</u>	<u>\$176,223,634.06</u>
Less: Accumulated Depreciation/Amortization				
Original Treatment Plant	2,138,512.41			2,138,512.41
Additional Treatment Facility	75,553,337.18	1,444,003.81		76,997,340.99
Relief Interceptor	4,411,019.68	325,873.78		4,736,893.46
Outfall Relocation	4,867,527.05	428,355.40		5,295,882.45
Mercury Emission Control System	2,328,547.24	582,136.81		2,910,684.05
Storm Control Treatment Facility	1,104,996.68	1,104,845.82		2,209,842.50
Plantwide Electrical Rehabilitation	189,293.83	189,437.29		378,731.12
Intangible Assets	1,105,169.60	13,465.86		1,118,635.46
Land, Easements & Land Impr.	0.00			0.00
Equipment	2,707,221.36	101,718.77	7,717.50	2,801,222.63
Vehicles	358,157.12	83,860.38		442,017.50
Miscellaneous	<u>36,180.00</u>			<u>36,180.00</u>
Total Accumulated Depreciation/Amortization	<u>\$94,799,962.16</u>	<u>\$4,273,697.92</u>	<u>\$7,717.50</u>	<u>\$99,065,942.58</u>
Construction in Progress	<u>\$ 996,711.81</u>	<u>\$1,393,375.13</u>	<u>\$246,263.21</u>	<u>\$2,143,823.73</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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 \$127,265 at December 31, 2023. The Authority's unused leave liability was \$114,955 and \$106,019 at December 31, 2022 and 2021.

(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.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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, 2023, valuation, the remaining amortization period is 26 years.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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, 2023, AND 2022

(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 1/55<sup>th</sup> to 1/60<sup>th</sup> 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 2023, 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>
2023	640,787	100%	6,944,414
2022	567,393	100%	6,790,179
2021	543,373	100%	5,496,524

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

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

Public Employees Retirement System (PERS)

For the year ended December 31, 2023, the Authority recognized statutory pension expense of \$640,787 which is due April 1, 2024 and which is a current receivable by the pension plan. For purposes of GASB 68 the Authority's net pension benefit was \$24,067 at December 31, 2023, 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	-----	31,980
Difference between expected and actual experience	28,387	66,398
Change of assumption	420,861	21,038
Changes in proportion and differences between Authority contributions and proportionate share of contributions	240,368	411,131
Authority contributions subsequent to the measurement date	-----	-----
	<u>\$689,616</u>	<u>\$524,764</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>
2024	\$(366,639)
2025	(204,644)
2026	285,976
2027	(51,178)
2028	870



THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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>
2024	\$1,680
2025	24,406
2026	42,246
2027	94,684
2028	7,747

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, 2023 and 2022 are as follows:

	<u>6/30/2023</u>	<u>6/30/2022</u>
Collective deferred outflows of resources	\$1,080,204,730	\$1,660,772,008
Collective deferred inflows of resources	1,780,216,457	3,236,303,935
Collective net pension liability	14,484,374,047	15,091,376,611
Authority's Proportion	0.0479441774%	0.0449937663%

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

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

Actuarial Assumptions

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

	6/30/2023	6/30/2022
Inflation rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:	2.75-6.55%	2.75-6.55%
Investment Rate of Return	7.00%	7.00%

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, 2023, AND 2022

(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, 2023) 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, 2023 and 2022 are summarized in the following table:

<u>Asset Class</u>	<u>06/30/2023</u>		<u>06/30/2022</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	2.00%	1.75%	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%	4.00%	1.75%
Investment Grade Credit	7.00%	5.19%	7.00%	3.38%
High Yield Bonds	4.50%	6.97%	4.00%	4.95%
Broad U.S. Equities	28.00%	8.98%	27.00%	8.12%
Developed Foreign Equities	12.75%	9.22%	13.50%	8.38%
International Small Cap Equity	1.25%	9.22%	0.00%	0.00%
Emerging Market Equities	5.50%	11.13%	5.50%	10.33%
Private Equity	13.00%	12.50%	13.00%	11.80%
Risk Mitigation Strategies	3.00%	6.21%	3.00%	4.91%
Private Credit	8.00%	9.20%	8.00%	8.10%
Real Assets	3.00%	8.40%	3.00%	7.60%
Real Estate	8.00%	8.58%	8.00%	11.19%
	<u>100.00%</u>		<u>100.00%</u>	

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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, 2023 and 2022, 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, 2023 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, 2023 At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	<u>\$9,116,365</u>	<u>\$6,944,414</u>	<u>\$5,204,175</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, 2023, AND 2022

(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, 2023, 2022, and 2021 were \$628,785 \$583,185 and \$578,779. The amount the Authority paid for retired participants for the years ended December 31, 2023, 2022, and 2021 were \$526,499, \$443,051 and \$380,296. There were 29 retired participants eligible at December 31, 2023. There were 28 at December 31, 2022 and 28 at December 31, 2021.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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, 2023, the Authority recognized contractually required OPEB expense of \$526,499. For purposes of GASB 75 the Authority's OPEB expense was \$53,839. At December 31, 2023, 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	\$1,927	-----
Difference between expected and actual experience	\$3,171,836	\$538,609
Change of assumption	\$3,301,488	\$1,512,965
Changes in proportion and differences between Authority contributions and proportionate share of contributions	\$673,692	\$3,425,137
Authority contributions subsequent to the measurement date	<u>0</u>	<u>\$234,451</u>
	<u>\$7,148,943</u>	<u>\$5,711,162</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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>
2024	\$(1,325,060)
2025	(1,085,307)
2026	(587,133)
2027	(275,227)
2028	(555,558)
Thereafter	(595,394)

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>
2024	\$372,590
2025	510,617
2026	428,646
2027	540,060
2028	472,426
Thereafter	770,531

At June 30, 2023, the Plan reported a liability of \$11,679,740 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, 2023.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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, 2023 and 2022 are as follows:

	<u>6/30/2023</u>	<u>6/30/2022</u>
Collective deferred outflows of resources	\$2,635,934,069	\$2,993,464,316
Collective deferred inflows of resources	\$8,319,630,129	8,504,994,107
Collective Net OPEB liability	15,006,539,477	16,149,595,478
Authority's Proportion	.077831%	0.063997%

Actuarial Assumptions

The total OPEB liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. 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>6/30/2023</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, 2023, AND 2022

(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, 2023 is 3.65%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65% and 3.54% as of June 30, 2023 and 2022, respectively. This single discount rate represents the municipal bond return rate as chosen by the State as of June 30, 2023. 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 6.50% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.5% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% 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, 2023, AND 2022

(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, 2023 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>2.65%</u>	At Current Discount Rate <u>3.65%</u>	1% Increase <u>4.65%</u>
Authority's proportionate share of the net OPEB liability	<u>\$13,528,861</u>	<u>\$11,679,740</u>	<u>\$10,192,407</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, 2023 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>\$11,679,740</u>	<u>\$11,679,740</u>	<u>\$13,924,545</u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, AND 2022

(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, 2023. 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, 2023, 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 December 6, 2024, 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)**

SCHEDULE "R-1"

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

<u>Fiscal Year</u> <u>Ending</u> <u>December 31</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net Pension</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Proportionate</u> <u>Share of</u> <u>the Net Pension</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net Pension</u> <u>Liability (Asset)</u> <u>as a percentage</u> <u>of it's Covered-</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a percentage</u> <u>of the total</u> <u>Pension Liability</u>
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%
2023	0.0479441774%	6,944,414	3,638,768	190.85%	65.22%

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>
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	484,388	484,388	-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%
2022	640,787	640,787	-0-	3,638,768	17.61%

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, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

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

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net OPEB</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Proportionate</u> <u>Share of</u> <u>the Net OPEB</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net OPEB</u> <u>Liability (Asset)</u> <u>as a percentage</u> <u>of it's Covered-</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a percentage</u> <u>of the total</u> <u>OPEB Liability</u>
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%
2023	0.077831%	11,679,740	3,638,768	320.98%	-0.79%

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

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</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>
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-
2023	425,750	425,750	-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, 2023

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 (3.54%) to the current measurement date (3.65%). 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.

# **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, 2023

	UNRESERVED INVESTMENT FIXED ASSETS	DEBT SERVICE RESERVE	DESIGNATED FUTURE CAPITAL PROJECT	RATE STABILIZATION	RESERVED CONNECTION CAPITAL	TOTAL
Revenues:						
Service Charges-Participants	\$ 17,680,659.00	\$	\$	\$	\$	\$ 17,680,659.00
Septage and Sludge Dumping Charges	689,245.40					689,245.40
Connection Fee	345,620.56				587,916.00	587,916.00
Insurance Proceeds	138,298.00					345,620.56
Pretreatment Program	44,482.24					138,298.00
Ground Water Discharge	1,597,650.93	82,744.51			738,056.14	44,482.24
Interest Income	4,050.00					4,050.00
Review Fees	41,885.98					41,885.98
Miscellaneous Income	20,521,892.11	82,744.51			1,325,972.14	21,930,608.76
Operating Expense	12,898,905.20				50.00	12,898,955.20
Operating Income Before Depreciation	\$ 7,622,986.91	\$ 82,744.51	\$	\$	1,325,922.14	\$ 9,031,653.56
Non-Operating Revenue (Expense):						
Interest on Bonds	(450,897.03)					(450,897.03)
Unrealized Holding Gain	69,536.35					69,536.35
	(381,360.68)					(381,360.68)
Income Before Depreciation	\$ 7,241,626.23	\$ 82,744.51	\$	\$	1,325,922.14	\$ 8,650,292.88
Depreciation Expense	4,260,232.06					4,260,232.06
Amortization Expense	13,465.86					13,465.86
Net Income Before Transfers	\$ 2,967,928.31	\$ 82,744.51	\$	\$	1,325,922.14	\$ 4,376,594.96
Transfers:						
Connection Fund Repayment	(528,299.00)				528,299.00	
Construction in Process	1,128,042.34				(1,128,042.34)	
Asset Capitalizations	153,854.50			549,395.00		
From Unrestricted Assets	(549,395.00)					
Increase (Decrease) in Net Position	\$ 3,172,131.15	\$ 82,744.51	\$ 0.00	\$ 549,395.00	\$ 572,324.30	\$ 4,376,594.96
Net Position January 1	30,941,362.12	1,686,672.81	7,000,000.00	4,984,595.00	14,766,267.66	59,378,897.59
Net Position December 31	\$ 34,113,493.27	\$ 1,769,417.32	\$ 7,000,000.00	\$ 5,533,990.00	\$ 15,338,591.96	\$ 63,755,492.55

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

SCHEDULE OF CHANGES IN CASH AND INVESTMENTS (NET)  
FOR THE YEAR ENDED DECEMBER 31, 2023

	TOTAL	REVENUE ACCOUNT	AUTHORITY OPERATING ACCOUNT	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	GENERAL ACCOUNT	CONSTRUCTION CAPITAL ACCOUNT	CONNECTION CAPITAL ACCOUNT
Balance, January 1, 2023	\$ 55,476,895.09	\$ 5,281,544.80	\$ 1,878,253.39	\$ 311,775.99	\$ 1,886,672.81	\$ 28,800,703.56	\$ 2,501,616.88	\$ 15,016,267.66
Increase by Receipts:								
Service Charges-Participants	\$ 16,432,973.11	\$ 16,432,973.11	\$	\$	\$	\$	\$	\$
Septage and Sludge Dumping Charges	637,334.65	637,334.65						
Interest Income	2,418,451.58	133,294.55	37,317.30	20,402.90	82,744.51	1,341,288.35	65,347.83	738,056.14
Unrealized Investment Holding Gain	69,536.35					69,536.35		
Review Fees	4,050.00	4,050.00						
Pretreatment Program	185,961.50	175,961.50	10,000.00					
Ground Water Discharge	48,520.56	48,520.56						
Insurance Proceeds	345,620.56	345,620.56						
Miscellaneous	11,553.60	6,304.60	5,249.00					
State of NJ - Construction Loan	0.00							
Expense Reimbursements	10,266.20		409.28					9,856.92
Escrow Prepays	0.00							
Connection Fees (Net of Refunds)	587,916.00							587,916.00
Transfers	25,063,904.31		17,346,000.00	1,418,958.71		6,020,646.60		278,299.00
TOTAL	\$ 101,282,923.51	\$ 23,065,604.33	\$ 19,277,228.97	\$ 1,751,137.60	\$ 1,769,417.32	\$ 36,232,174.86	\$ 2,566,964.71	\$ 16,630,395.72
Decreased by Disbursements:								
Accounts Payable and Accruals-December 31, 2022	\$ 1,476,027.72	\$	\$ 1,458,882.72	\$ 17,145.00	\$	\$	\$	\$
Interest Payable - December 31, 2022	242,742.16		178,005.21	64,736.95				
2023 Salaries, Taxes & Personnel Expenses	7,171,593.28		7,171,593.28					
2023 Operating Expenses	5,688,948.93	80.00	5,671,633.93	17,145.00		35.00	5.00	50.00
Interest on Bonds	262,203.54		249,207.29	12,996.25				
Construction in Progress (net)	1,228,663.71		101,621.37					1,128,042.34
Asset Capitalization	688,001.29		524,289.87					163,711.42
Principal on Bonds	2,784,154.68		1,446,510.81	1,337,643.87				
Transfers	25,063,904.31	21,435,980.60				1,418,958.71	2,208,965.00	
TOTAL	\$ 44,607,229.62	\$ 21,436,060.60	\$ 16,801,734.48	\$ 1,449,667.07	\$ 0.00	\$ 1,418,993.71	\$ 2,208,970.00	\$ 1,291,803.76
Balance, December 31, 2023	\$ 56,685,693.89	\$ 1,629,543.73	\$ 2,475,494.49	\$ 301,470.53	\$ 1,769,417.32	\$ 34,813,181.15	\$ 357,994.71	\$ 15,338,591.96

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, 2023

	<u>2023 BUDGET</u>	<u>2023 ACTUAL</u>	<u>2022 ACTUAL</u>
<u>REVENUE</u>			
Unrestricted Net Position (Capital Project Reserve)	\$ 2,692,342.00	\$ 0.00	\$ 0.00
Service Charges-Participants	17,049,920.00	17,680,659.00	15,982,831.00
Septage and Sludge Dumping Charges	540,000.00	669,245.40	613,513.00
Connection Fees	675,000.00	587,916.00	1,727,397.00
Insurance Proceeds	0.00	345,620.56	1,032,717.35
Pretreatment Program	100,000.00	138,298.00	158,856.00
Ground Water Discharge	23,000.00	44,482.24	25,602.90
Interest Income	743,500.00	1,680,395.44	551,183.83
Interest Income - Connection	301,200.00	738,056.14	195,503.61
Review Fees	3,500.00	4,050.00	5,850.00
Bond Interest Income	2,500.00	0.00	4,672.92
Miscellaneous Income	5,000.00	41,885.98	37,267.73
<u>TOTAL REVENUE</u>	<u>\$ 22,135,962.00</u>	<u>\$ 21,930,608.76</u>	<u>\$ 20,335,395.34</u>
<u>OPERATING EXPENSES</u>			
<u>SALARIES, WAGES AND PERSONNEL COSTS</u>			
Salaries and Wages	\$ 5,028,993.00	\$ 4,772,257.36	\$ 4,627,734.12
Payroll Taxes	391,100.00	361,531.22	355,340.39
Health, Prescription, Dental & Meal Allowance	1,392,000.00	1,190,368.39	1,062,333.42
Employer Pension Contribution	579,300.00	567,414.57	543,380.39
<u>TOTAL</u>	<u>\$ 7,391,393.00</u>	<u>\$ 6,891,571.54</u>	<u>\$ 6,588,788.32</u>
<u>ADMINISTRATION, OFFICE EXPENSE</u>			
Professional Services	\$ 593,000.00	\$ 340,134.42	\$ 498,745.68
Office Expense	182,425.00	161,580.33	136,335.21
Permit Fees	208,000.00	201,396.63	117,008.40
Insurance Expense	550,000.00	597,277.00	527,721.00
Utility Expense	2,562,500.00	1,932,598.57	1,818,552.14
<u>TOTAL</u>	<u>\$ 4,095,925.00</u>	<u>\$ 3,232,986.95</u>	<u>\$ 3,098,362.43</u>
<u>FACILITY OPERATING EXPENSE</u>			
Wastewater Treatment	\$ 1,112,000.00	\$ 778,983.23	\$ 489,838.17
Incinerator/Sludge Operating Expense	1,923,200.00	652,840.33	1,147,745.62
General Expenses	103,000.00	124,478.97	79,722.17
<u>TOTAL</u>	<u>\$ 3,138,200.00</u>	<u>\$ 1,556,302.53</u>	<u>\$ 1,717,305.96</u>
<u>MAINTENANCE</u>			
Wastewater Treatment	\$ 797,500.00	\$ 647,643.02	\$ 864,215.94
Incinerator Sludge	788,500.00	501,748.66	581,970.76
General Expense	45,000.00	49,573.00	76,663.62
Building and Grounds	264,500.00	166,794.20	199,489.40
Vehicle Maintenance	33,000.00	19,168.86	24,747.39
Interceptor, Storm Control Treatment Facility & Meter Chamber	182,000.00	165,692.41	165,540.58
Major Equipment Repair	160,000.00	184,297.89	220,755.00
Capital Acquisition	129,000.00	108,381.66	123,777.85
<u>TOTAL</u>	<u>\$ 2,399,500.00</u>	<u>\$ 1,843,299.70</u>	<u>\$ 2,257,160.54</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, 2023

	<u>2023 BUDGET</u>	<u>2023 ACTUAL</u>	<u>2022 ACTUAL</u>
<u>OPERATING EXPENSES (CONT'D.)</u>			
<u>LABORATORY AND TESTING</u>			
Wastewater	\$ 87,000.00	\$ 62,117.52	\$ 69,927.10
Incinerator/Sludge	17,500.00	14,069.00	14,719.00
General & Capital	2,000.00	342.87	0.00
<u>TOTAL</u>	<u>\$ 106,500.00</u>	<u>\$ 76,529.39</u>	<u>\$ 84,646.10</u>
<u>METERS AND INSTRUMENTATION</u>			
Interceptor Flow Meters Parts & Instrumentation	\$ 237,000.00	\$ 194,502.74	\$ 369,688.94
Plant Instrumentation & Scada Maintenance	192,000.00	103,229.47	137,047.95
Telemetry	2,500.00	0.00	280.07
<u>TOTAL</u>	<u>\$ 431,500.00</u>	<u>\$ 297,732.21</u>	<u>\$ 507,016.96</u>
<u>PRETREATMENT</u>			
Sampling & Testing Services	\$ 36,000.00	\$ 29,728.02	\$ 26,755.00
Professional Service Expense & Industry Studies	145,000.00	34,947.20	16,983.94
<u>TOTAL</u>	<u>\$ 181,000.00</u>	<u>\$ 64,675.22</u>	<u>\$ 43,738.94</u>
<u>TOTAL OPERATING EXPENSE</u>	<u>\$ 17,744,018.00</u>	<u>\$ 13,963,097.54</u>	<u>\$ 14,297,019.25</u>
<u>OTHER COSTS AND RESERVE REQUIREMENTS</u>			
Principal on Bonds	\$ 2,784,158.00	\$ 2,784,154.68	\$ 2,244,400.07
Interest on Bonds	507,786.00	450,897.03	410,217.70
Bond Issue Expenses	0.00	0.00	477,713.75
Capitalized Fixed Assets Financed Through Budget	425,000.00	524,010.95	385,262.97
Non - Operating Investment Fee (Net)	0.00	0.00	0.00
Reserve for Future Capital Project	0.00	0.00	0.00
Reserve for Connections	675,000.00	1,325,972.14	1,922,900.61
Reserve for Rate Stabilization	0.00	549,395.00	224,328.00
<u>TOTAL OTHER COSTS AND RESERVE REQUIREMENTS</u>	<u>\$ 4,391,944.00</u>	<u>\$ 5,634,429.80</u>	<u>\$ 5,664,823.10</u>
	<u>\$ 22,135,962.00</u>	<u>\$ 19,597,527.34</u>	<u>\$ 19,961,842.35</u>

SCHEDULE 4

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

CONSTRUCTION PROJECT COSTS (NET)

DECEMBER 31, 2023

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	3,807,817.40
Aeration System	1,056,758.37
Miscellaneous	36,180.00
Wetlands Mitigation Land Acquisition	28,500.00
Vehicles	787,458.80
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
Three Vaults Constructed Near Clarifier	143,429.98
Mercury Emission Control System	11,642,736.15
Storm Control Treatment Facility	33,145,525.50
Plantwide Electrical Rehabilitation Project	5,682,975.09
Sludge Line Replacement (Control Basement to Reactor)	596,352.30
Primary Clarifier #1 and #2 Rehabilitation	614,169.90
Above Ground Fuel Tank (Incineration)	262,487.07
	<hr/>
<u>TOTAL CONSTRUCTION COST (NET)</u>	<u>\$ 176,223,634.06</u>



SCHEDULE 5

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
SCHEDULE OF REVENUES FROM CHARGES FOR THE YEAR  
ENDED DECEMBER 31, 2023

<u>NAME OF PARTICIPANT</u>	<u>BALANCE</u>	<u>2023</u>	<u>2023</u>	<u>BALANCE</u>
	<u>JANUARY 1, 2023</u>	<u>ANNUAL</u>	<u>REVENUE</u>	<u>DECEMBER 31, 2023</u>
		<u>SERVICE CHARGES</u>	<u>COLLECTED</u>	
Branchburg Township	\$ (1,330.30)	2,359,550.00	2,098,080.92	260,138.78
Bridgewater Township	(35,684.98)	5,458,825.00	5,036,765.06	386,374.96
Duke Farms	36.84	1,396.00	1,657.60	(224.76)
Hillsborough Township	(389,799.06)	3,599,053.00	3,421,467.64	(212,213.70)
Manville Borough	(82,472.44)	1,423,838.00	1,396,898.16	(55,532.60)
Denver Road, LLC	(10,250.30)	51,368.00	46,537.65	(5,419.95)
Raritan Borough	14,642.28	1,161,063.00	1,238,905.04	(63,199.76)
Somerville Borough	14,918.38	2,268,534.00	1,972,125.40	311,326.98
Warren Township	94,979.54	1,011,045.00	976,129.64	129,894.90
Pfizer	26,733.92	345,987.00	244,406.00	128,314.92
	<u>\$ (368,226.12)</u>	<u>\$ 17,680,659.00</u>	<u>\$ 16,432,973.11</u>	<u>\$ 879,459.77</u>

# **STATISTICAL SECTION**

**Somerset Raritan Valley Sewerage Authority**  
**NET POSITION BY COMPONENT**

**December 31**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net Position Component:										
Invested in capital assets,	\$ 30,028,817	\$ 29,676,353	\$ 30,598,489	\$ 31,284,012	\$ 33,581,125	\$ 38,429,336	\$ 39,998,946	\$ 40,543,173	\$ 40,679,147	\$ 40,944,137
net of related debt	15,338,592	14,766,268	9,464,039	9,035,091	7,254,934	6,822,749	5,476,167	14,910,262	15,235,617	15,040,831
Restricted	18,388,084	14,936,277	17,262,190	13,378,132	8,026,353	(792,952)	(8,760,613)	(19,482,954)	(3,029,547)	(3,120,604)
Unrestricted	\$ 63,755,493	\$ 59,378,898	\$ 57,344,718	\$ 53,697,235	\$ 48,862,412	\$ 44,459,133	\$ 36,714,500	\$ 35,970,481	\$ 52,885,217	\$ 52,864,364
Total										

Net Position Component:  
Invested in capital assets,  
net of related debt  
Restricted  
Unrestricted  
Total

**Somerset Raritan Valley Sewerage Authority**  
**CHANGES IN NET POSITION**

**December 31**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses:										
Salaries, Wages & Personnel Costs	\$ 6,891,572	\$ 6,588,788	\$ 6,215,787	\$ 6,286,514	\$ 6,100,113	\$ 6,239,322	\$ 6,061,916	\$ 5,859,797	\$ 5,804,906	\$ 5,873,598
Administrative, Office Costs	3,232,987	3,098,362	2,470,488	2,864,195	2,384,542	2,115,384	2,156,660	2,125,358	2,832,911	2,801,037
Facility Operating Costs	1,556,303	1,717,306	1,695,978	1,270,732	1,195,178	1,624,275	1,624,275	3,501,790	1,245,074	1,518,789
Maintenance Costs	1,843,300	2,257,161	2,546,227	1,658,966	1,464,913	1,463,719	1,335,365	748,010	1,157,033	1,153,580
Laboratory & Testing Costs	76,529	84,646	95,201	65,306	62,299	55,762	53,417	46,186	49,894	80,926
Meters and Instrumentation Costs	297,732	507,017	392,875	255,887	270,642	215,638	226,801	181,134	257,661	179,481
Pretreatment Program Costs	64,875	43,739	61,299	33,881	32,124	30,157	35,544	32,049	50,536	72,230
Interest Expenses	450,897	502,442	223,173	254,184	252,166	213,940	244,934	367,618	411,440	515,349
Depreciation & Amortization	4,273,698	4,359,996	3,010,289	2,976,700	4,698,024	4,220,191	4,179,192	4,147,541	4,130,520	4,088,895
Other Expense	(591,482)	(1,136,707)	386,350	0	245,976	0	239,618	15	135	130,510
Non Cash Pension	(472,660)	(302,638)	(1,297,020)	(299,215)	(32,046)	26,214	332,542	1,052,064	246,629	158,556
Non Cash OPEB			(272,700)	(309,817)	(520,105)	(140,266)	152,982			
Total Expenses	\$ 17,523,551	\$ 18,301,215	\$ 15,527,927	\$ 14,857,313	\$ 16,496,658	\$ 15,635,239	\$ 16,643,256	\$ 18,051,562	\$ 16,286,739	\$ 16,572,951
Revenues:										
Charges for Services	\$ 18,536,735	\$ 16,786,653	\$ 17,104,873	\$ 17,022,523	\$ 18,815,852	\$ 20,431,905	\$ 16,166,574	\$ 14,159,520	\$ 14,766,772	\$ 16,233,852
Connections	587,916	1,727,397	1,677,754	2,015,998	1,235,316	1,694,691	917,697	1,348,457	1,302,127	1,288,212
Investment Earnings	2,487,988	751,360	320,029	619,933	783,017	438,886	267,733	220,727	181,594	152,232
Miscellaneous Income	41,866	37,268	72,754	33,682	66,252	30,772	35,271	57,423	19,270	40,248
Insurance Proceeds	345,621	545,293				642,000				500,000
FEMA Proceeds	0	487,424							548,487	
Gain on Debt Retirement						141,618				
Total Revenues	\$ 22,000,146	\$ 20,335,395	\$ 19,175,410	\$ 19,692,136	\$ 20,899,937	\$ 23,379,872	\$ 17,387,275	\$ 15,786,127	\$ 16,818,258	\$ 18,214,544
Change in Net Position	\$ 4,376,595	\$ 2,034,180	\$ 3,647,483	\$ 4,834,823	\$ 4,403,279	\$ 7,744,633	\$ 744,019	\$ (2,275,435)	\$ 531,519	\$ 1,641,593
Net Position-January 1	\$ 59,378,898	\$ 57,344,718	\$ 53,697,235	\$ 48,862,412	\$ 44,459,133	\$ 36,714,500	\$ 50,609,782	\$ 52,885,217	\$ 52,353,688	\$ 59,985,475
Prior Period Adjustment							(14,639,301)			(9,283,370)
Net Position-December 31	\$ 63,755,493	\$ 59,378,898	\$ 57,344,718	\$ 53,697,235	\$ 48,862,412	\$ 44,459,133	\$ 36,714,500	\$ 50,609,782	\$ 52,885,217	\$ 52,353,688

Somerset Raritan Valley Sewerage Authority

Annual Sewerage Flows and Charges by Participant

Participant/ Customer	Actual Flow in Million Gallons							2020	2019	2018	2017	2016	2015	2014
	2023	2022	2021	2020	2019	2018	2017							
Branchburg Township	869,652	789,984	745,410	784,719	820,316	946,439	797,940	732,692	713,255	771,625	732,692	713,255	771,625	
Bridgewater Township	2,011,944	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	1,569,706	1,780,617	1,891,397	
Duke Farms	0,515	0,530	0,670	0,437	0,603	0,366	0,058	0,048	0,148	0,290	0,048	0,148	0,290	
Hillsborough Township	1,326,493	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	1,139,368	1,135,573	1,213,077	
Manville Borough	524,780	492,667	555,310	511,652	608,059	631,564	465,617	430,724	451,387	553,734	430,724	451,387	553,734	
Denver Road LLC	18,933	18,601	20,370	23,716	20,789	22,744	17,896	25,936	14,639	18,160	25,936	14,639	18,160	
Raritan Borough	427,930	434,436	454,010	421,212	459,972	492,033	387,851	350,452	369,015	405,711	350,452	369,015	405,711	
Somerville Borough	836,107	737,008	703,510	730,220	839,623	901,830	624,370	527,819	653,706	798,127	527,819	653,706	798,127	
Warren Township	372,638	321,905	324,550	277,511	294,892	355,094	299,073	273,070	277,911	291,694	273,070	277,911	291,694	
Pfizer	127,520	105,388	109,520	95,054	250,410	423,390	268,057	260,922	257,319	329,706	260,922	257,319	329,706	
<b>TOTAL GALLONS</b>	<b>6,516,512</b>	<b>6,195,283</b>	<b>6,318,720</b>	<b>6,326,977</b>	<b>6,980,967</b>	<b>7,581,231</b>	<b>5,880,725</b>	<b>5,310,737</b>	<b>5,653,570</b>	<b>6,273,521</b>	<b>5,310,737</b>	<b>5,653,570</b>	<b>6,273,521</b>	
Average Daily Flow (mgd)	17,853	16,946	17,328	17,334	19,126	20,770	16,112	14,510	15,489	17,188	14,510	15,489	17,188	

Participant/ Customer	Charge in Dollars						
	2023	2022	2021	2020	2019	2018	2017
Branchburg Township	2,389,550	1,963,805	1,926,148	2,027,721	2,119,705	2,445,607	2,061,885
Bridgewater Township	5,456,825	5,232,097	5,233,398	5,251,574	5,606,511	5,923,503	4,540,793
Duke Farms	1,368	1,369	1,733	1,130	1,559	947	150
Hillsborough Township	3,599,053	3,333,288	3,566,115	3,747,127	3,919,993	3,915,765	3,262,563
Manville Borough	1,423,838	1,273,056	1,434,927	1,322,114	1,571,231	1,632,019	1,203,159
Denver Road LLC **	51,368	48,065	52,636	61,282	53,718	58,770	47,287
Raritan Borough	1,161,063	1,122,587	1,173,160	1,088,417	1,186,571	1,271,418	1,002,210
Somerville Borough *	2,288,534	1,904,435	1,917,871	1,886,897	2,169,595	2,330,338	1,810,874
Warren Township	1,011,045	831,806	838,643	717,091	762,004	917,566	772,808
Pfizer	345,987	272,323	283,005	245,620	647,063	1,094,043	692,662
<b>TOTAL \$</b>	<b>17,680,659</b>	<b>15,982,831</b>	<b>16,327,636</b>	<b>16,348,973</b>	<b>18,038,850</b>	<b>19,589,976</b>	<b>15,394,391</b>

\* Somerville Assured Minimum Charge in 2015 & 2016 & 2017

\*\*Denver Road, LLC 2014 & 2015 & 2017 charge is "assured minimum"

CHARGE PER MILLION GALLONS \$2,713.21 \$2,584.01 \$2,584.01 \$2,584.01 \$2,584.01 \$2,584.01 \$2,460.96 \$2,460.96

## SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

### ACTUAL VS. ESTIMATED FLOWS AND CHARGES FOR 2023

Participant/Customer	Flow in Millions Gallons		Cumulative Difference (Actual - Estimated)
	Actual Flow	Estimated Flow	
Branchburg Township	869.652	773.77	95.88
Bridgewater Township	2,011.944	2,039.50	(27.55)
Duke Farms	0.515	0.60	(0.08)
Hillsborough Township	1,326.493	1,404.71	(78.22)
Manville Borough	524.780	545.25	(20.47)
Denver Road, LLC	18.933	22.87	(3.94)
Raritan Borough	427.930	451.22	(23.29)
Somerville Borough	836.107	721.36	114.75
Warren Township	372.638	324.76	47.88
Pfizer	127.520	0.00	127.52
	<u>6,516.51</u>	<u>6,284.03</u>	<u>232.48</u>

Participant/Customer	Charge in Dollars		Cumulative Difference (Actual - Estimated)
	Actual Charge	Estimated Charge	
Branchburg Township	2,359,550 \$	2,099,412 \$	260,138
Bridgewater Township	5,458,825	5,533,580	(74,755)
Duke Farms	1,396	1,620	(224)
Hillsborough Township	3,599,053	3,811,268	(212,215)
Manville Borough	1,423,838	1,479,372	(55,534)
Denver Road, LLC	51,368	62,052	(10,684)
Raritan Borough	1,161,063	1,224,264	(63,201)
Somerville Borough	2,268,534	1,957,208	311,326
Warren Township	1,011,045	881,148	129,897
Pfizer	345,987	0	345,987
	<u>\$ 17,680,659</u>	<u>\$ 17,049,924</u>	<u>\$ 630,735</u>

**Somerset/Raritan Valley Sewerage Authority**  
**RATIO ANALYSIS INVOLVING**  
**LONG TERM DEBT**

	<b>December 31</b>									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Loans Payable	46,263,722	51,130,388	53,240,817	43,202,232	21,683,144	21,088,062	16,935,804	15,551,734	16,528,847	18,869,299
Net Pension Liability	6,944,414	6,780,179	5,496,524	7,612,263	6,602,328	9,051,007	10,854,514	14,444,585	10,317,054	9,040,146
OPEB Liability	11,679,740	10,335,257	11,255,263	11,022,989	7,994,485	10,135,519	12,648,398	14,868,862	14,868,862	14,868,862
Total Long Term Debt	\$ 66,907,876	\$ 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
Cumulative Minimum Assured Billing (MAB)	\$ 5,971,775	\$ 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
Percentage of Long Term Debt	8.93%	8.33%	8.13%	9.20%	14.86%	14.12%	13.43%	12.07%	20.18%	19.41%
Population of Municipal Participants*	155,109	153,631	152,337	151,119	143,991	144,478	144,612	144,421	144,498	144,368
Long Term Debt (Per Capita)	\$ 431.36	\$ 444.28	\$ 459.46	\$ 408.20	\$ 265.85	\$ 278.76	\$ 279.64	\$ 310.66	\$ 185.79	\$ 193.32

**DEBT SERVICE COVERAGE**  
**December 31**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net Available Revenue for Debt Service**	\$ 20,858,774	\$ 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
Debt Service:										
Principal	\$ 2,784,155	\$ 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
Interest	450,897	410,218	223,173	254,164	252,166	213,940	244,934	367,618	411,440	515,348
Total Debt Service	\$ 3,235,052	\$ 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
Coverage Ratio (Net Available Revenue for Debt Service/Total Debt Service)	6.45	6.56	9.49	9.53	11.75	7.83	6.18	5.27	5.48	5.88

\* 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 Household 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	345,361	111,772	61.64	41
2019	345,353	111,587	56.85	41
2020	344,754	113,611	46.30	38
2021	346,498	121,695	50.05	39
2022	347,047	131,948	44.26	39
2023	348,842	142,092	54.18	40

\*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, 2023

GENERAL COMMENTS AND RECOMMENDATIONS

NONE