

Annual
Financial Report

of the

Union County Utilities Authority

For the Years Ended December 31, 2022 and 2021

Prepared By

Union County Utilities Authority

Finance Department

UNION COUNTY UTILITIES AUTHORITY

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FINANCIAL SECTION

SUPLEE, CLOONEY & COMPANY

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 Union County Utilities 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 Union County Utilities 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.



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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Union County Utilities Authority
1499 Routes 1 & 9 North
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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 Union County Utilities Authority as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Union County Utilities Authority's basic financial statements, and have issued our report thereon dated August 10, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Union County Utilities 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 Union County Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Union County Utilities 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 governmental entities to disclose their unfunded pension liabilities. The Authority participates in the pension plan sponsored by the State of New Jersey, which has a publicized, large unfunded liability. 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. Understandably, the net pension liability of \$2,529,343, shown within non-current liabilities, is a significant amount as of December 31, 2022.

The Government Accounting Standards Board (GASB) Statement 75 requires state and local governmental entities to disclose their unfunded OPEB (postretirement benefits other than pension) liabilities. The Authority participates in a cost-sharing, defined benefit post-employment healthcare plan -- Union County Postretirement Healthcare Plan -- currently administered by the County of Union. The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers, GASB 75 dictates that the amount represented by Authority employees participating be reported in the audited financial statements to promote better financial clarity. Understandably, the net OPEB liability of \$7,831,755, shown within non-current liabilities, is a significant amount as of December 31, 2022.

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.

Summary of Organization and Business

The Union County Utilities Authority (UCUA) is a public body corporate and politic organized and existing under the Municipal and County Utilities Authorities Law. Pursuant to the Municipal and County Utilities Authorities Law constituting Chapter 183 of the pamphlet laws of 1957 of the State of New Jersey, the Authority was created by virtue of an ordinance adopted by the Board of County Commissioners of the County of Union, New Jersey on June 5, 1986, as amended December 11, 1986. In addition, the UCUA has been designated by the County, pursuant to and in accordance with the Solid Waste Management Act, N.J.S.A. 13:1E-1 et seq., as the agency responsible for implementation of the Union County District Solid Waste Management Plan, pursuant to which the UCUA carries out solid waste enforcement and solid waste management planning activities.

In 1998 the Authority entered into a lease agreement and waste disposal agreement, along with related agreements, with Ogden Martin Systems of Union, Inc. (now "Covanta Union, LLC" and "Covanta Operations of Union, LLC") as have been amended from time to time for the lease and operation of the Union County Resource Recovery Facility ("UCRRF") which is owned by the UCUA. In addition, the Authority entered into a waste disposal agreement with Ogden Martin Systems of Union, Inc. (now "Covanta Union, LLC") as has been amended from time to time for the disposal of waste by the Authority.

Union County Utilities Authority
Condensed Financial Statements
Condensed Statement of Net Position

	December 31		Variance		2020
	2022	2021	Dollars	%	
Assets					
Cash and Investments	\$ 41,233,290	\$ 41,151,920	\$ 81,370	0.2%	\$ 40,670,633
Accounts Receivable	5,881,056	5,934,186	(53,130)	-0.9%	5,905,628
Property, Plant and Equipment - Net	38,834,137	45,344,375	(6,510,238)	-14.4%	51,856,738
Deferred Outflows of Resources	3,909,822	3,018,789	891,033	29.5%	2,354,512
Total Assets and Deferred Outflows of Resources	\$ 89,858,305	\$ 95,449,270	\$ (5,590,965)	-5.9%	\$ 100,787,511
Liabilities					
Current Liabilities	\$ 4,451,713	\$ 4,540,393	\$ (88,680)	-2.0%	\$ 4,407,587
Deferred Inflows of Resources	5,652,211	2,509,420	3,142,791	125.2%	2,521,126
Deferred Other	3,068,257	2,894,581	173,676	100.0%	2,730,738
Net Pension Liability	2,529,343	1,717,147	812,196	47.3%	2,201,226
Net OPEB Liability	7,831,755	10,863,610	(3,031,855)	-27.9%	9,282,462
Bonds Payable	166,295,000	170,640,000	(4,345,000)	-2.5%	174,825,000
Total Liabilities	189,828,279	193,165,151	(3,336,873)	-1.7%	195,968,139
Net Position					
Restricted - Deficit	(99,969,974)	(97,715,881)	(2,254,093)	2.3%	(95,180,628)
Total Net Position	(99,969,974)	(97,715,881)	(2,254,093)	2.3%	(95,180,628)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 89,858,305	\$ 95,449,270	\$ (5,590,966)	-5.9%	\$ 100,787,511

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

	December 31		Variance		2020
	2022	2021	Dollars	%	
Operating Revenues:					
Facility Lease Revenue	\$ 9,564,726	\$ 9,500,000	\$ 64,726	0.7%	\$ 9,500,000
Tipping Fees	16,390,659	17,235,359	(844,700)	-4.9%	15,938,488
Program EIC	8,996,736	8,455,860	540,876	6.4%	7,576,733
Program Tipping Fees	9,565,449	9,709,239	(143,790)	-1.5%	8,452,733
Miscellaneous	168,378	168,348	30	0.0%	166,476
Total Operating Revenues	44,685,948	45,068,806	(382,858)	-0.8%	41,634,430
Operating Expenses:					
Operations and Maintenance	26,745,477	27,819,968	(1,074,491)	-3.9%	28,038,697
Depreciation	6,511,639	6,512,363	(724)	0.0%	6,519,457
Total Operating Expenses	33,257,116	34,332,331	(1,075,215)	-3.1%	34,558,154
Operating Income	11,428,832	10,736,475	692,357	6.4%	7,076,276
Non Operating (Revenues) Expenses	(13,682,925)	(13,271,728)	(411,197)	3.1%	(10,337,162)
Change in Net Position	(2,254,093)	(2,535,253)	281,160	-11.1%	(3,260,886)
Net Position, Beginning of Year	(97,715,881)	(95,180,628)	(2,535,253)	2.7%	(83,699,716)
Restatement to Include Net OPEB Liability					(8,220,026)
Net Position, Beginning of Year - Restated					(91,919,742)
Net Position, End of Year	\$ (99,969,974)	\$ (97,715,881)	\$ (2,254,093)	2.3%	\$ (95,180,628)

BASIC FINANCIAL STATEMENTS

UNION COUNTY UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

<u>LIABILITIES AND NET POSITION</u>	<u>2022</u>	<u>2021</u>
<u>Current Liabilities:</u>		
Accounts Payable - Operating	\$ 3,227,424	\$ 3,291,418
Deposits Payable	405,330	403,787
Accrued Interest Payable on Project Bonds	585,952	599,888
Accrued Expenses	233,007	245,300
Deferred Other	3,068,257	2,894,581
Project Bonds Payable - Current Maturities	4,345,000	4,345,000
	<hr/>	<hr/>
<u>Total Current Liabilities</u>	11,864,970	11,779,974
<u>Long-Term Liabilities Payable from Restricted Assets:</u>		
Project Bonds Payable	161,950,000	166,295,000
Net Pension Liability	2,529,343	1,717,147
Net OPEB Liability	7,831,755	10,863,610
	<hr/>	<hr/>
<u>Total Liabilities</u>	184,176,068	190,655,731
<u>Deferred Inflows:</u>		
Pension Related	394,842	1,075,950
OPEB Related	3,967,246	
Deferred Gain on Refunding	1,290,123	1,433,470
	<hr/>	<hr/>
	5,652,211	2,509,420
<u>Net Position:</u>		
Net Investment in Capital Assets	(127,460,863)	(125,295,625)
Restricted:		
Bond Reserve Account	24,566,842	24,975,788
Debt Service Account	928	423
Working Capital Account	2,512,528	2,487,490
Project Account	7,373	7,299
Clearing Account	6	6
Unrestricted	403,212	108,738
	<hr/>	<hr/>
Total Net Position	(99,969,974)	(97,715,881)
	<hr/>	<hr/>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>	\$ 89,858,305	\$ 95,449,270
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The accompanying Notes are an integral part of these financial statements.

UNION COUNTY UTILITIES AUTHORITY

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

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Facility Lease	\$ 9,564,881	\$ 9,500,000
Receipts for Tipping Fees	35,005,711	35,371,921
Miscellaneous Receipts	168,377	168,327
Payments to Suppliers	(25,237,405)	(25,969,120)
Payments to Employees	<u>(1,521,242)</u>	<u>(1,533,746)</u>
Net Cash Provided by Operating Activities	<u>17,980,321</u>	<u>17,537,382</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Principal Payments on Long-Term Debt	(4,345,000)	(4,185,000)
Tipping Fees Reimbursed to Towns	(2,629,388)	(2,709,852)
Rahway Host Fee	(1,828,887)	(1,788,954)
County of Union	(500,000)	(500,000)
OversiteServices-County of Union	(150,000)	(153,929)
Interest Paid on Bonds	<u>(8,541,769)</u>	<u>(8,601,906)</u>
Net Cash Used in Capital and Financing Activities	<u>(17,995,044)</u>	<u>(17,939,641)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	95,983	883,406
Unrealized/Realized Loss (Gain) on Investments		(184,581)
Purchase (Sale) of Investments	<u>(8,972)</u>	<u>(879,526)</u>
Net Cash Provided (Used) by Investing Activities	<u>87,011</u>	<u>(180,701)</u>
Change in Cash and Cash Equivalents	72,288	(582,960)
Cash and Cash Equivalents, Beginning of Year	<u>23,003,868</u>	<u>23,586,828</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,076,156</u>	<u>\$ 23,003,868</u>
<u>Reconciliation of Operating Income to Net Cash Provided by</u>		
<u>Operating Activities:</u>		
Operating Income:	\$ 11,428,832	\$ 10,736,475
Depreciation	6,511,639	6,512,363
Deferred/Prepaid Rent Reserve	173,675	163,844
Deferred Gain on Refunding	(143,347)	(143,347)
Premium and Costs on Issuance of Debt	74,247	74,247
Changes in Operating Assets and Liabilities:		
Accounts Receivable	53,020	(28,558)
Accounts Payable	(103,910)	182,101
Deposits Payable	(1,543)	43,617
Accrued Expenses	<u>(12,292)</u>	<u>(3,360)</u>
Net Cash Provided by Operating Activities	<u>\$ 17,980,321</u>	<u>\$ 17,537,382</u>

The accompanying Notes are an integral part of these financial statements.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(1) GENERAL (CONTINUED)

Waste Disposal Agreement

In 1998, the Authority entered into the waste disposal agreement with Covanta of Union, Inc. (the "Company"). In 2011, the Authority amended the 1998 agreement with the refunding of the Solid Waste Senior Lease Revenue Bonds and Solid Waste Subordinate Lease Revenue Bonds.

Pursuant to the waste disposal agreement, the Company is required to accept and dispose of all acceptable waste delivered to the facility by or on behalf of the Authority. In 2016, the waste disposal agreement was amended reducing the guaranteed tonnage. The Authority is required to deliver an amount of acceptable waste, at least equal to the guaranteed tonnage of 330,000 tons.

In the event the Authority fails to deliver the guaranteed tonnage amount, they are obligated to make shortfall payments to the Company; however, the Company is required to mitigate any shortfall deliveries of the solid waste on behalf of the Authority.

Local Waste Agreements

In order to satisfy its obligation under the waste disposal agreement, the Authority has entered into local waste agreements with 14 municipalities and the County of Union. These agreements require the contracting participants to deliver, or cause to be delivered, all acceptable waste generated within the geographic boundaries that is collected by the participant, or on its behalf, but in no less than the participants' guaranteed tonnage. The Authority, in turn, is required to dispose of this waste in accordance with the waste disposal agreements. The Authority has executed local waste agreements providing for delivery of acceptable waste to the facility, in an aggregate amount that is at least equal to 149,100 tons.

In the event contracting municipalities fail to deliver their guaranteed tonnage amount, they are obligated to make shortfall payments to the Authority.

In July 2003, the Authority re-established regulatory flow control over all non-contract solid waste type 10 and 25 generated in Union County to provide the delivery of an additional 70,000 tons to the facility.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB 68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” which requires the State of New Jersey to calculate and allocate the unfunded net pension liability of Public Employees Retirement System (PERS) of the participating employers as of December 31, 2022. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

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. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

Under GAAP, Authorities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, authorities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) 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 Unrestricted Net Position area of the balance sheet.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Based upon the Authority's policies regarding compensated absences, there was an accrued liability of \$95,243 and \$110,913 at December 31, 2022 and 2021, respectively.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Fixed Assets

Fixed Assets are stated at cost which includes direct construction costs and other expenditures related to construction and certain professional costs. Construction costs are aggregated by individual project and charged to construction-in-progress until such time as projects are completed and put into operation. Depreciation is determined on a straight-line basis over various economic lives, which are fixed by management.

Depreciation expense related to assets acquired through debt financing is charged to operations.

Details of fixed assets as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,610,128	\$ 3,610,128
Resource Recovery Facility	240,878,951	240,878,951
Vehicles	214,450	214,450
Equipment	175,263	175,263
Furniture and Fixtures	<u>40,026</u>	<u>40,026</u>
	244,918,818	244,918,818
Less: Accumulated Depreciation	<u>206,084,681</u>	<u>199,574,443</u>
Net Fixed Assets	<u>\$ 38,834,137</u>	<u>\$ 45,344,375</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

<u>FUND</u>	<u>AMOUNT</u>	<u>USE FOR WHICH RESTRICTED</u>
Debt Service	Amount needed for principal and interest on the Authority's bonds	Compliance with bond resolutions
General Account	Excess revenues after other accounts have required amounts by the bond resolution	For any lawful purpose of the Authority, provided certain requirements are met
Rebate Account	Funds subject to rebate to the United States Government pursuant to the Internal Revenue Code and Arbitrage Regulations	Required Rebates, as applicable
Project Account	Funds received for payment of costs of the project	Project costs
Working Capital	Transfers as needed	Service charges and disposal shortfall payments

(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 Director (Director) 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 loan 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.

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(6) ADVANCE REFUNDINGS – 1998 AND 2011

In 1998, the Authority issued \$323,727,990.00 of Solid Waste Bonds for the purpose of advance refunding a portion of the 1991 bonds. The proceeds of this issue were to establish an Irrevocable Escrow Account to pay the principal and interest on the 1991 bonds as they become due.

The portions of the 1991 bonds that are to be paid from this escrow are not reflected in these statements due to the creation of this Irrevocable Escrow Account.

In 2011, The Authority issued \$228,985,000 of Solid Waste Bonds for the purpose of advance refunding a portion of the 1998 bonds. The proceeds of this issue were to establish an Irrevocable Escrow Account to pay the principal and interest on the 1998 bonds as they become due.

The portions of the 1998 bonds that are to be paid from this escrow are not reflected in these statements due to the creation of this Irrevocable Escrow Account.

(7) NET POSITION

The components of net position are as follows:

	<u>2022</u>	<u>2021</u>
Net Position:		
Net Investment in Capital Assets	(\$127,460,863)	(\$125,295,625)
Restricted:		
Bond Reserves	24,566,842	24,975,788
Other Assets	<u>2,520,835</u>	<u>2,495,219</u>
Total Restricted	<u>27,087,677</u>	<u>27,471,007</u>
Unrestricted:		
Operating	11,229,332	11,574,002
Net Pension Liability	(2,381,307)	(2,466,184)
Net OPEB Liability	<u>(9,251,237)</u>	<u>(8,999,080)</u>
Total Unrestricted	<u>403,212</u>	<u>108,738</u>
Total Net Position	<u>(\$99,969,974)</u>	<u>(\$97,715,880)</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(8) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN (CONTINUED)

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2022, PERS provides for employee contributions of 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Certain portions of the cost are contributed by the employees. The Authority's share of pension costs, which is based upon the annual billings received from the State, at December 31, 2022 and 2021, the Authority was required to contribute \$211,354 and \$169,753 respectively.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

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

Public Employees Retirement System (PERS)

At June 30, 2022, the State reported a net pension liability of \$2,529,343 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Authority's proportion was 0.0167601865 percent, which was an increase of 0.0022652118 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022 the State recognized an actuarially determined pension expense of \$17,119 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2022 billing was \$211,354.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2023	\$(112,674)
2024	(6,245)
2025	50,385
2026	221,894
2027	<u>104,033</u>
	<u>\$ 257,393</u>

Actuarial Assumptions

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

	<u>June 30, 2022</u>
Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	
Through 2026	2.75-6.55%
	based on years of service
Investment Rate of Return	7.00%

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasury's	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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 report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

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

Plan Description and Benefits Provided

The Authority participates in a single employer defined benefit post-employment healthcare plan currently administered by the County of Union. The Plan provides medical and prescription drug coverage to retirees and their covered dependents which is administered on a pay as you go basis.

Contributions

The Authority's contributions to the plan for the years ended December 31, 2022 and 2021 were \$45,128 and \$42,122, respectively, which equaled the required contributions for each year.

Eligibility

Employees of the Union County Utility Authority are eligible as follows:

1. Retire on a disability pension
2. Have 25 year or more of service in PERS and/or PFRS with a minimum of 5 years of service with UCUA: or
3. Have 25 years of service with UCUA: or
4. Have reached age 62 years of age and have at least 15 years of service in PERS and/or PFRS with a minimum of 5 years of service with the UCUA.

PERS refers to the Public Employees Retirement System.
Spouses may continue coverage after the death of the retiree.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(10) POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75
(CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Dates	12/31/22
Valuation Dates	12/31/22
Actuarial Cost Method	Individual Entry Age Normal, with Normal Cost determined as a percent of pay
Amortization Period	Average future working lifetime for all plan members
Asset Valuation method	N/A
Discount Rate	4.05% for FYE 2023 1.84% for FYE 2022 2.00% for FYE 2021
Medical Trend	
Starting (2021)	7.50%
Ultimate	4.00%
Year of Ultimate Trend	2037
Mortality	PUB 2012 projected to 2025 using Scale MP20

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2022 – December 31, 2022.

Discount Rate

The discount rate under GASB 75 should be the single rate that reflects (a) the long-term expected rate of return on plan investments that are expected to be used to finance the benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate for 20-year, tax exempt general obligations municipal bonds with an average rating of AA/AAa or higher (or an equivalent quality on another scale) to the extent that the conditions in (a) are not met. The discount rate used for determining the Total OPEB liabilities at December 31, 2022 (1.84%) and December 31, 2021 (2.00%) were based on Muni 20 year Aa as published by financial organizations.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(10) POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75
(CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)

Amounts reported for the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the actuarially calculated pension (benefit)/expense as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2023	\$(158,319)
2024	(158,319)
2025	(158,318)
2026	(370,805)
2027	(573,721)
Thereafter	-0-
	<u>\$ (1,419,482)</u>

Sensitivity of the Net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the Net OPEB liability of the Authority, as well as what the Authority's Net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	<u>December 31, 2022</u>		
	<u>1.00%</u> <u>Decrease</u>	<u>At Discount</u> <u>Rate (1.84)</u>	<u>1.00%</u> <u>Increase</u>
Net OPEB Liability	\$9,340,680	\$7,831,755	\$6,651,165

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates

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

	<u>December 31, 2022</u>		
	<u>1.00%</u> <u>Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rate</u>	<u>1.00%</u> <u>Increase</u>
Net OPEB Liability	\$6,798,579	\$7,831,755	\$9,045,984

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(11) CASH AND INVESTMENTS (CONTINUED)

Investments

N.J.S.A. 40A:5-15.1 provides that public funds may be invested in the following types of securities when authorized by resolution adopted by a majority vote of all its members:

- a. Bonds or other obligations of the United States of America or obligation guaranteed by the United States of America, including securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the "Investment Company Act of 1940", 54 Stat. 847 (16 U.S.C. 80a-1 et seq.), purchase and redeemed only through the use of National or State banks located within this State, if the portfolio of that investment company or investment trust is limited to bonds or other obligations of the United States of America, bonds or other obligations guaranteed by the United States of America and repurchase agreements fully collateralized by bonds or other obligations guaranteed by the United States of America, which collateral shall be delivered to or held by the investment company or investment trust, either directly or through an authorized custodian;
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal Land Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than 12 months from the date of purchase.
- c. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part of within which the school district is located;
- d. Bonds or other obligations, having a maturity date not more than 12 months from the date of purchase, approved by the Division of Investment of the Department of the Department of Treasury for investment by local units.

N.J.S.A. 52:18A-90.4 provides that the Director of the Division of Investment may, subject to the approval of the State Investments Council and the State Treasurer, establish, maintain and operate a common trust fund to be known as the State of New Jersey Cash Management Fund in which may be deposited the surplus public moneys of the state, its counties, municipalities and school districts and the agencies or authorities created by any of these entities. This fund shall be considered a legal depositor for public moneys.

At December 31, investments of the Authority at market value consisted of the following:

	<u>2022</u>	<u>2021</u>
U.S. Government Agency Bonds and Obligations	<u>\$18,157,024</u>	<u>\$18,148,052</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(13) RISK MANAGEMENT

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (JIF).

The Fund was created on September 15, 1991, in accordance with P.L. 1983, C.372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes." The Fund is both an insured and self-administered group of utility authorities established for the purpose of providing low cost insurance coverage and safety programs for the member utility authorities in order to keep insurance premiums, claims and administrative costs at a minimum.

The following coverages are offered by the Fund to its members:

- a. Worker's Compensation and Employer's Liability
- b. Liability other than Motor Vehicles
- c. Property Damage other than Motor Vehicles
- d. Motor Vehicle
- e. Environmental Liability

The Joint Insurance Fund is also a member of The Municipal Excess Liability Joint Insurance Fund which provides excess insurance for worker's compensation and employer's liability.

(14) SUBSEQUENT EVENTS

The Authority evaluated subsequent events occurring after the financial statement date through August 10, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

(15) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

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

SUPPLEMENTARY INFORMATION

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM LAST TEN YEARS

<u>Fiscal Year Ending June 30.</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Authority's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2014	\$ 103,855	\$ 103,855	-0-	\$ 787,228	13.19%
2015	\$ 101,235	\$ 101,235	-0-	\$ 765,366	13.23%
2016	\$ 98,119	\$ 98,119	-0-	\$ 837,771	11.71%
2017	\$ 114,167	\$ 114,167	-0-	\$ 899,422	12.69%
2018	\$ 131,549	\$ 131,549	-0-	\$ 956,554	13.75%
2019	\$ 129,817	\$ 129,817	-0-	\$ 987,239	13.15%
2020	\$ 147,665	\$ 147,665	-0-	\$ 1,059,164	13.94%
2021	\$ 169,753	\$ 169,753	-0-	\$ 1,208,962	14.04%
2022	\$ 211,354	\$ 211,354	-0-	\$ 1,216,951	17.36%

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

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>December 31,</u>	<u>Authority's Share</u> <u>of the Net OPEB</u> <u>Liability</u>	<u>Authority's Share</u> <u>of the Net OPEB</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>Authority's</u> <u>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>
2019	100.00%	\$ 7,662,563	\$ 987,239	776.16%	100.00%
2020	100.00%	\$ 9,282,462	\$ 1,059,164	876.40%	100.00%
2021	100.00%	\$ 10,863,610	\$ 1,208,962	898.59%	100.00%
2022	100.00%	\$ 7,831,755	\$ 951,055	823.00%	100.00%

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

UNION COUNTY UTILITIES AUTHORITY

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

NOTE TO RSI III

FOR THE YEAR ENDED DECEMBER 31, 2022.

UNION COUNTY POSTRETIREMENT HEALTHCARE PLAN

Change in benefit terms

None

Change in assumptions

The discount rate changed from 2.00% to 1.84% as of
December 31, 2022.

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED
BY OPERATING REVENUES COMPARED TO BUDGET

	<u>2022</u> <u>BUDGET</u>	<u>2022</u> <u>ACTUAL</u>	<u>2021</u> <u>ACTUAL</u>
<u>APPROPRIATIONS</u>			
Administration:			
Salaries and Wages	\$ 1,460,900	\$ 1,348,162	\$ 1,380,710
Fringe Benefits	288,800	576,234	458,297
Pension Assessment (PERS)	<u>154,000</u>	<u>176,020</u>	<u>156,038</u>
	<u>1,903,700</u>	<u>2,100,416.43</u>	<u>1,995,045</u>
Other Expenses:			
Accounting	32,000	38,000	32,000
ADP Processing Fees	15,000	15,935	15,792
Advertising	1,500	2,632	1,302
Auto Gas, Repairs and Maintenance	10,000	13,591	7,380
Trustee Fees	6,000	-	6,000
Bank Fees	1,000	927	1,322
Computer Consultant	36,000	51,124	43,306
Oversite Services - County of Union	150,000	150,000	153,929
Dues and Subscriptions	5,000	5,733	6,833
Financial Consultant	50,000	30,296	9,545
Rahway Host Community Fee	2,800,000	1,828,887	1,788,955
General Counsel	200,000	53,233	63,368
Engineering	175,000	53,225	87,679
Insurance	36,000	88,136	36,535
Insurance Consultant	1,000	1,000	1,000
Miscellaneous Office Expense	25,000	14,115	5,911
Office Equipment, Copiers and Pagers	60,000	8,723	8,666
Office, Park and Property Maintenance	30,000	24,239	21,267
Permits and Fees	75,000	-	79,920
Postage and Delivery	5,000	3,827	4,279
Printing and Office Supplies	3,000	4,469	8,107
Public Relations	6,000	-	-
Safety and First Aid Equipment	2,400	-	-
Service Fee - Covanta	14,295,600	9,060,366	9,754,982
Service Fee - Covanta - Program 10	10,533,600	15,134,606	15,594,728
Service Fee - Covanta - NJMC Type 13	8,965,000	-	-
Tipping Fee Reimbursement to Towns	2,444,000	2,629,388	2,709,852
Interlocal Agreement - County of Union	500,000	500,000	500,000
Telephone	15,000	12,673	13,228
Utilities	-	11,271	10,392
Travel, Seminars, and Conferences	1,000	5,804	1,921
Uniforms and Equipment	12,000	9,606	9,272
UCUA Meetings	3,000	1,532	191
<u>Total Other Expenses</u>	<u>40,494,100</u>	<u>29,753,336</u>	<u>31,141,503</u>
<u>Total Expenses</u>	<u>42,397,800</u>	<u>31,853,752</u>	<u>33,136,548</u>
Issuance of Debt			
Principal Payments on Debt Service in Lieu of Depreciation	<u>1,805,000</u>	<u>4,345,000</u>	<u>4,185,000</u>
<u>TOTAL OPERATING APPROPRIATIONS</u>	<u>44,202,800</u>	<u>36,198,752</u>	<u>37,321,548</u>
Non Operating Appropriations:			
Interest Expense	2,517,074	8,527,833	8,685,889
Unreserved Retained Earnings Utilized			
<u>Total Non Operating Appropriations</u>	<u>2,517,074</u>	<u>8,527,833</u>	<u>8,685,889</u>
<u>TOTAL COST FUNDED BY OPERATIONS</u>	<u>\$ 46,719,874</u>	<u>\$ 44,726,585</u>	<u>\$ 46,007,437</u>

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - DECEMBER 31, 2022

2011A SOLID WASTE SYSTEM BONDS

<u>YEAR OF MATURITY</u>	<u>SERIES A INTEREST RATE</u>	<u>PRINCIPAL</u>
2023		
2024		
2025		
2026	4.00%	\$ 1,580,000
2027	4.00%	2,220,000
2028	4.00%	2,310,000
2029	4.00%	2,400,000
2030	4.00%	2,495,000
2031	4.00%	2,595,000
2032	4.00%	2,700,000
2033	5.00%	2,805,000
2034	5.00%	2,945,000
2035	5.00%	3,095,000
2036	5.00%	3,250,000
2037	5.00%	3,410,000
2038	5.00%	3,585,000
2039	5.00%	3,760,000
2040	5.00%	3,950,000
2041	5.00%	4,145,000
		<hr/>
	<u>TOTAL BONDS PAYABLE</u>	<u>\$ 47,245,000</u>

NOTE: The Bonds pay interest June 1 and December 1
Principal is paid June 1

UNION COUNTY UTILITIES AUTHORITY

DECEMBER 31, 2022

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

