

UNION COUNTY UTILITIES AUTHORITY
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

UNION COUNTY UTILITIES AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
Union County Utilities Authority
Rahway, New Jersey 07065

Report on the Financial Statements

Opinion

We have audited the accompanying statement of net position of the Union County Utilities Authority, as of December 31, 2023 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Union County Utilities Authority as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Union County Utilities 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Union County Utilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Emphasis of Matter

Prior Period Financial Statements

The financial statements of the Authority for the year ended December 31, 2022 were audited by other auditors whose report dated August 10, 2023 expressed an unmodified opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of the Authority's proportionate share of the net pension liability, and schedule of Authority contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 Authority's basic financial statements. The supplementary information 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

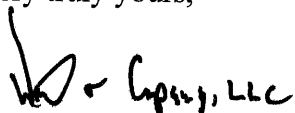
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2024 on our consideration of the Union County Utilities 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

Honorable Chairperson and Commissioners
Union County Utilities Authority
Page 5.

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 Union County Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,



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

August 22, 2024

Required Supplementary Information - Part I

Management Discussion and Analysis

UNION COUNTY UTILITIES SEWERAGE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Union County Utilities Sewerage Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2023 and 2022. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's liabilities and deferred inflows exceeded its assets and deferred outflows of resources by \$99,382,877 (net position) for the fiscal year reported. This compares to the previous year when liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$99,969,974.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of (\$129,945,546) includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt and unexpended funds related to the purchase or construction of capital assets.
 - (2) Restricted of \$29,653,802 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted of \$908,867 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$6,462,644 to \$177,713,424 during the fiscal year.

Overview of the Financial Statements

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

Required Financial Statements

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

**UNION COUNTY UTILITIES SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

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

**UNION COUNTY UTILITIES SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position

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

The Authority's net position at fiscal year-end is \$(99,382,877). This is a \$587,097 increase over last year's net position of \$(99,969,974). A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position at December 31, 2023
With Comparative Prior Year Balances**

| | <u>FY 2023</u> | <u>Restated FY 2022</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|----------------------------------|---------------------|-----------------------------|--------------------------|---------------------------|
| Current Assets | 47,496,837 | 47,114,346 | 382,491 | 0.81% |
| Capital Assets | <u>32,369,940</u> | <u>38,834,137</u> | <u>(6,464,197)</u> | (16.65)% |
| Total Assets | <u>79,866,777</u> | <u>85,948,483</u> | <u>(6,081,706)</u> | (7.08)% |
| Deferred Outflows of Resources | <u>2,967,875</u> | <u>3,909,822</u> | <u>(941,947)</u> | (24.09)% |
| Long-term Liabilities | 165,184,100 | 172,111,098 | (6,926,998) | (4.02)% |
| Current Liabilities | <u>12,529,324</u> | <u>12,064,970</u> | <u>464,354</u> | 3.85% |
| Total Liabilities | <u>177,713,424</u> | <u>184,176,068</u> | <u>(6,462,644)</u> | (3.51)% |
| Deferred Inflows of Resources | <u>4,504,105</u> | <u>5,652,211</u> | <u>(1,148,106)</u> | (20.31)% |
| Net Investment in Capital Assets | (129,945,546) | (128,082,764) | (1,862,782) | 1.45% |
| Restricted | 29,653,802 | 29,976,014 | (322,212) | (1.07)% |
| Unrestricted | <u>908,867</u> | <u>(1,863,224)</u> | <u>2,772,091</u> | (148.78)% |
| Total Net Position | <u>(99,382,877)</u> | <u>(99,969,974)</u> | <u>587,097</u> | (0.59)% |

**UNION COUNTY UTILITIES SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative figures in the following table. These figures have not been updated to include the prior period adjustments described in Note 14 of the financial statements.

**Condensed Statement of Net Position at December 31, 2022
With Comparative Prior Year Balances**

| | <u>FY 2022</u> | <u>FY 2021</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|----------------------------------|---------------------|---------------------|--------------------------|---------------------------|
| Current Assets | 47,114,346 | 47,086,106 | 28,240 | 0.06% |
| Capital Assets | <u>38,834,137</u> | <u>45,344,375</u> | <u>(6,510,238)</u> | (14.36)% |
| Total Assets | <u>85,948,483</u> | <u>92,430,481</u> | <u>(6,481,998)</u> | (7.01)% |
| Deferred Outflows of Resources | <u>3,909,822</u> | <u>3,018,789</u> | <u>891,033</u> | 29.52% |
| Long-term Liabilities | 172,111,098 | 183,220,757 | (11,109,659) | (6.06)% |
| Current Liabilities | <u>12,064,970</u> | <u>7,434,974</u> | <u>4,629,996</u> | 62.27% |
| Total Liabilities | <u>184,176,068</u> | <u>190,655,731</u> | <u>(6,479,663)</u> | (3.40)% |
| Deferred Inflows of Resources | <u>5,652,211</u> | <u>2,509,420</u> | <u>3,142,791</u> | 125.24% |
| Net Investment in Capital Assets | (127,460,863) | (125,295,625) | (2,165,238) | 1.73% |
| Restricted | 27,087,677 | 27,471,006 | (383,329) | (1.40)% |
| Unrestricted | <u>403,212</u> | <u>108,738</u> | <u>294,474</u> | 270.81% |
| Total Net Position | <u>(99,969,974)</u> | <u>(97,715,881)</u> | <u>(2,254,093)</u> | 2.31% |

**UNION COUNTY UTILITIES SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2023 with Comparative Prior Year Balances**

| | <u>FY 2023</u> | <u>FY 2022</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|-----------------------------|---------------------|---------------------|--------------------------|---------------------------|
| Operating Revenues | 46,248,855 | 44,685,948 | 1,562,907 | 3.50% |
| Non-operating Revenues | <u>703,113</u> | <u>95,983</u> | <u>607,130</u> | 632.54% |
| Total Revenues | <u>46,951,968</u> | <u>44,781,931</u> | <u>2,170,037</u> | 4.85% |
| Depreciation | 6,474,397 | 6,511,639 | (37,242) | (0.57)% |
| Other Operating Expenses | 28,243,849 | 26,745,477 | 1,498,372 | 5.60% |
| Other Non-operating Expense | <u>11,646,625</u> | <u>13,778,908</u> | <u>(2,132,283)</u> | (15.48)% |
| Total Expenses | <u>46,364,871</u> | <u>47,036,024</u> | <u>(671,153)</u> | (1.43)% |
| Change in Net Position | 587,097 | (2,254,093) | 2,841,190 | (126.05)% |
| Beginning Net Position | <u>(99,969,974)</u> | <u>(97,715,881)</u> | <u>(2,254,093)</u> | 2.31% |
| Ending Net Position | <u>(99,382,877)</u> | <u>(99,969,974)</u> | <u>587,097</u> | (0.59)% |

**UNION COUNTY UTILITIES SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and changes in net position is presented with comparative fiscal year figures in the following table:

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2022 with Comparative Prior Year Balances**

| | <u>FY 2022</u> | <u>FY 2021</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|-----------------------------|---------------------|---------------------|--------------------------|---------------------------|
| Operating Revenues | 44,685,948 | 45,068,806 | (382,858) | -0.85% |
| Non-operating Revenues | <u>95,983</u> | <u>883,406</u> | <u>(787,423)</u> | (89.13)% |
| Total Revenues | <u>44,781,931</u> | <u>45,952,212</u> | <u>(1,170,281)</u> | (2.55)% |
| Depreciation | 6,511,639 | 6,512,363 | (724) | (0.01)% |
| Other Operating Expenses | 26,745,477 | 27,819,968 | (1,074,491) | (3.86)% |
| Other Non-operating Expense | <u>13,778,908</u> | <u>14,155,134</u> | <u>(376,226)</u> | (2.66)% |
| Total Expenses | <u>47,036,024</u> | <u>48,487,465</u> | <u>(1,451,441)</u> | (2.99)% |
| Change in Net Position | (2,254,093) | (2,535,253) | 281,160 | (11.09)% |
| Beginning Net Position | <u>(97,715,881)</u> | <u>(95,180,628)</u> | <u>(2,535,253)</u> | 2.66% |
| Ending Net Position | <u>(99,969,974)</u> | <u>(97,715,881)</u> | <u>(2,254,093)</u> | 2.31% |

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

**UNION COUNTY UTILITIES SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Budgetary Highlights (Continued)

The following tables provide a budget comparison for FY 2023 and FY 2022:

**Budget vs. Actual
FY 2023**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|-------------------|-------------------|--------------------|
| Revenues: | | | |
| Operating | 47,995,805 | 46,248,855 | (1,746,950) |
| Non-Operating | <u>15,000</u> | <u>703,113</u> | <u>688,113</u> |
| Total Revenues | <u>48,010,805</u> | <u>46,951,968</u> | <u>(1,058,837)</u> |
| Expenses: | | | |
| Operating | 43,693,765 | 33,810,240 | 9,883,525 |
| Non-Operating | <u>4,317,040</u> | <u>12,777,615</u> | <u>(8,460,575)</u> |
| Total Expenses | <u>48,010,805</u> | <u>46,587,855</u> | <u>1,422,950</u> |
| Income before Depreciation | <u>0</u> | <u>364,113</u> | <u>364,113</u> |

**Budget vs. Actual
FY 2022**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|-------------------|-------------------|--------------------|
| Revenues: | | | |
| Operating | 46,704,874 | 44,685,948 | (2,018,926) |
| Non-Operating | <u>15,000</u> | <u>95,983</u> | <u>80,983</u> |
| Total Revenues | <u>46,719,874</u> | <u>44,781,931</u> | <u>(1,937,943)</u> |
| Expenses: | | | |
| Operating | 42,397,800 | 31,853,751 | 10,544,049 |
| Non-Operating | <u>4,322,074</u> | <u>12,782,194</u> | <u>(8,460,120)</u> |
| Total Expenses | <u>46,719,874</u> | <u>44,635,945</u> | <u>2,083,929</u> |
| Income before Depreciation | <u>-</u> | <u>145,986</u> | <u>145,986</u> |

**UNION COUNTY UTILITIES SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Debt Administration

At December 31, 2023, the Authority had outstanding Project bonds of \$161,750,000 (gross). The debt service schedule has a final maturity in 2041. Full details of the specific bond issues outstanding are found in Note 5 to the financial statements and the supplementary schedules.

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments. Recently, however, national delays in supply chains and inflationary factors have begun to affect the Authority's cost of providing services. The Authority is therefore anticipating an increase in the cost of providing services in the next fiscal year due to recent increases in energy, fuel, material and chemical costs.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Executive Director of the Union County Utilities Sewerage Authority, 1499 Routes 1 and 9 North, Rahway, New Jersey 07065.

Financial Statements

UNION COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023 AND 2022

| | <u>2023</u> | <u>Restated 2022</u> |
|--|---------------|--------------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Unrestricted: | | |
| Cash and Cash equivalents | \$ 10,713,624 | \$ 10,671,214 |
| Accounts Receivable, Net Allowance for Doubtful Accounts | 5,853,078 | 5,176,118 |
| Lease Payments Receivable | 705,200 | 705,048 |
| | <hr/> | <hr/> |
| Total Unrestricted Assets | 17,271,902 | 16,552,380 |
| | <hr/> | <hr/> |
| Restricted: | | |
| Unemployment Account: | | |
| Cash and Cash Equivalents | 112,611 | 112,611 |
| Environmental Investment Charge Reserve Account: | | |
| Cash and Cash Equivalents | 3,201,990 | 3,361,684 |
| Bond/Loan Service Account | | |
| Cash and Cash Equivalents | 1,469,559 | 1,930,048 |
| Bond/Loan Reserve Account | | |
| Cash and Cash Equivalents | 4,644,805 | 4,480,698 |
| Investments | 18,157,419 | 18,157,024 |
| Working Capital Account: | | |
| Cash and Cash Equivalents | 2,630,831 | 2,512,528 |
| Project Account: | | |
| Cash and Cash Equivalents | 7,720 | 7,373 |
| | <hr/> | <hr/> |
| Total Restricted Assets | 30,224,935 | 30,561,966 |
| | <hr/> | <hr/> |
| Total Current Assets | 47,496,837 | 47,114,346 |
| | <hr/> | <hr/> |
| Capital Assets: | | |
| Land - Facility | 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 | 50,227 | 40,027 |
| Less: Accumulated Depreciation | (212,559,079) | (206,084,682) |
| | <hr/> | <hr/> |
| Total Capital Assets (net of accumulated depreciation) | 32,369,940 | 38,834,137 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | 79,866,777 | 85,948,483 |
| | <hr/> | <hr/> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

UNION COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023 AND 2022

| | <u>2023</u> | <u>Restated 2022</u> |
|--|-----------------------|--------------------------|
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Deferred Premiums on Debt | \$ 607,606 | \$ 668,222 |
| Deferred Outflows Related to Pensions | 447,635 | 693,836 |
| Deferred Outflows Related to OPEB | <u>1,912,634</u> | <u>2,547,764</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>2,967,875</u> | <u>3,909,822</u> |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Payable from Unrestricted Assets: | | |
| Accounts Payable | \$ 3,506,300 | \$ 3,227,424 |
| Deposits Payable | 187,144 | 405,330 |
| Accrued Expenses | 247,395 | 233,007 |
| Prepaid Rent Reserve | <u>3,252,352</u> | <u>3,068,257</u> |
| Total Current Liabilities Payable from Unrestricted Assets | <u>7,193,191</u> | <u>6,934,018</u> |
| Payable from Restricted Assets: | | |
| Project Bonds Payable - Current Portion | 4,765,000 | 4,545,000 |
| Accrued Interest on Project Bonds | <u>571,133</u> | <u>585,952</u> |
| Total Current Liabilities Payable from Restricted Assets | <u>5,336,133</u> | <u>5,130,952</u> |
| Non-Current Liabilities | | |
| Revenue Bonds and Loans Payable | 156,985,000 | 161,750,000 |
| Net Pension Obligation | 2,430,226 | 2,529,343 |
| Net OPEB Obligation | <u>5,768,874</u> | <u>7,831,755</u> |
| Total Non-Current Liabilities | <u>165,184,100</u> | <u>172,111,098</u> |
| TOTAL LIABILITIES | <u>\$ 177,713,424</u> | <u>\$ 184,176,068</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

UNION COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023 AND 2022

| | <u>2023</u> | <u>Restated 2022</u> |
|---|------------------------|--------------------------|
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Deferred Inflows: | | |
| Deferred Gains on Refunding | \$ 1,173,092 | \$ 1,290,123 |
| Deferred Inflows Related to Pensions | 157,216 | 394,842 |
| Deferred Inflows Related to OPEB | <u>3,173,797</u> | <u>3,967,246</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>4,504,105</u> | <u>5,652,211</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | (129,945,546) | (128,082,764) |
| Restricted: | | |
| Unemployment Reserve | 112,611 | 112,611 |
| Environmental Investment Charge Reserve | 3,201,990 | 3,361,684 |
| Bond / Loan Service Fund | 898,426 | 1,344,096 |
| Bond / Loan Reserve Fund | 22,802,224 | 22,637,722 |
| Working Capital | 2,630,831 | 2,512,528 |
| Project Account | 7,720 | 7,373 |
| Unrestricted | | |
| Undesignated | <u>908,867</u> | <u>(1,863,224)</u> |
| TOTAL NET POSITION | <u>\$ (99,382,877)</u> | <u>\$ (99,969,974)</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

UNION COUNTY UTILITIES AUTHORITY
COMPARATIVE 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 Revenue: | | |
| Facility Lease Revenue | \$ 9,500,000 | \$ 9,564,726 |
| Tipping Fees - Resource Recovery | 16,671,765 | 15,887,323 |
| UCUA Administrative Fees | 504,410 | 503,337 |
| EIC Fees | 9,636,015 | 8,996,736 |
| Program Tipping Fees | 9,740,532 | 9,565,449 |
| Miscellaneous | <u>196,133</u> | <u>168,377</u> |
| Total Operating Revenue | <u>46,248,855</u> | <u>44,685,948</u> |
| Operating Expenses: | | |
| Operating Expenses | 28,243,849 | 26,745,477 |
| Depreciation Expense | <u>6,474,397</u> | <u>6,511,639</u> |
| Total Operating Expenses | <u>34,718,246</u> | <u>33,257,116</u> |
| Operating Income | <u>11,530,609</u> | <u>11,428,832</u> |
| Non-Operating Revenue (Expenses): | | |
| Interest Income | 703,113 | 95,983 |
| Interest Expenses | (8,345,476) | (8,527,833) |
| Tipping Rees Reimbursed to Towns | (2,587,443) | (2,629,388) |
| Rahway Host Fee | (2,328,948) | (1,828,887) |
| Interlocal Agreement - County of Union | (500,000) | (500,000) |
| Oversite Services - County of Union | (150,000) | (150,000) |
| Pension Related | 44,042 | 109,357 |
| OPEB Related | <u>2,221,200</u> | <u>(252,157)</u> |
| Non-Operating Income (Loss) | <u>(10,943,512)</u> | <u>(13,682,925)</u> |
| Change In Net Position | 587,097 | (2,254,093) |
| Total Net Position - January 1, | <u>(99,969,974)</u> | <u>(97,715,881)</u> |
| Total Net Position - December 31, | <u>\$ (99,382,877)</u> | <u>\$ (99,969,974)</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

UNION COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Facility Lease | \$ 9,500,000 | \$ 9,564,881 |
| Cash Received from Tipping Fees | 35,875,762 | 35,005,711 |
| Cash Received from Miscellaneous Sources | 196,133 | 168,377 |
| Cash Paid to Suppliers | (26,671,923) | (25,237,405) |
| Cash Paid to Employees | (1,553,700) | (1,521,243) |
| | <u>17,346,272</u> | <u>17,980,321</u> |
| Net Cash Provided by Operating Activities | | |
| | <u>17,346,272</u> | <u>17,980,321</u> |
| Cash Flow from Capital and Related Financing Activities: | | |
| Bond Principal Paid | (4,545,000) | (4,345,000) |
| Tipping Fees Reimbursed to Towns | (2,587,443) | (2,629,388) |
| Rahway Host Fee | (2,328,948) | (1,828,887) |
| County of Union | (500,000) | (500,000) |
| Oversite Services - County of Union | (150,000) | (150,000) |
| Interest Paid on Bonds | (8,232,615) | (8,541,769) |
| | <u>(18,344,006)</u> | <u>(17,995,044)</u> |
| Net Cash Used for Capital and Related Financing Activities | | |
| | <u>(18,344,006)</u> | <u>(17,995,044)</u> |
| Cash Flows from Investing Activities: | | |
| Interest Received | 703,113 | 95,983 |
| Purchase (Sale) of Investments | (395) | (8,972) |
| | <u>702,718</u> | <u>87,011</u> |
| Net Cash Provided by (Used for) Investing Activities | | |
| | <u>702,718</u> | <u>87,011</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (295,016) | 72,288 |
| Cash and Cash Equivalents, January 1, | <u>23,076,156</u> | <u>23,003,868</u> |
| Cash and Cash Equivalents December, 31, | <u>\$ 22,781,140</u> | <u>23,076,156</u> |
| Analysis of Balance at December 31, | | |
| Unrestricted - Cash and Cash Equivalents | 10,713,624 | 10,671,214 |
| Restricted - Cash and Cash Equivalents | <u>12,067,516</u> | <u>12,404,942</u> |
| | <u>22,781,140</u> | <u>23,076,156</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**UNION COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Operating Income | \$ 11,530,609 | \$ 11,428,832 |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Provided by Operating Activities | | |
| Depreciation Expense | 6,474,397 | 6,511,639 |
| Deferred/Prepaid Rent Reserve | 184,095 | 173,675 |
| Deferred Gain on Refunding | (117,031) | (143,347) |
| Premium Costs on Issuance of Debt | 60,616 | 74,247 |
| (Increase)/Decrease in Accounts Receivable | (676,960) | 53,020 |
| Increase/(Decrease) in Accounts Payable | 94,344 | (103,910) |
| Increase/(Decrease) in Deposits Payable | (218,186) | (1,543) |
| Increase/(Decrease) in Other Liabilities | 14,388 | (12,292) |
| Total Adjustments | <u>5,815,663</u> | <u>6,551,489</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 17,346,272</u> | <u>\$ 17,980,321</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

Notes to Financial Statements

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1. GENERAL

The Union County Utilities Authority is a public body corporate and politic, organized and existing under the municipal and county utilities authorities law, constituting Chapter 183 of the pamphlet laws of 1957, of the State of New Jersey, as amended and supplemented and was created by virtue of an ordinance of the Board of County Commissioners of the County of Union, New Jersey finally adopted June 5, 1986, as amended December 11, 1986.

The Authority has been designated by the County of Union as the official implementation agency of the County's solid waste management plan. The Authority is empowered to plan, design, construct, acquire and operate facilities for processing, disposal or recycling of solid waste in an environmentally sound manner, throughout the County of Union, New Jersey.

As part of the solid waste management plan, the Authority has contracted with Ogden Martin Systems, Inc. for the construction and operation of a mass-burn, waste-to-energy, resource recovery facility. Income is primarily derived from facility lease revenue payments, tipping fees from the processing of solid waste.

Resource Recovery Facility Lease

In 1998, the Authority agreed to lease the facility and facility site to Covanta Union, Inc. (the "Company"). In 2011, the Authority amended the lease with the refunding of the Solid Waste Senior Lease Revenue Bonds and Solid Waste Subordinate Lease Revenue Bonds.

Pursuant to the agreement, the Company is required to make rental payments in amounts sufficient to pay the debt service on the Resource Recovery Facility Lease Revenue Refunding Bonds and the Resource Recovery Facility Lease Revenue Bonds.

Lease revenue earned for the years ended December 31 consisted of:

| | <u>2023</u> | <u>2022</u> |
|-------------------------|--------------------|--------------------|
| 2011A Facility Lease | 6,550,079 | \$6,550,079 |
| 2011B Facility Lease | 1,449,921 | 1,449,921 |
| Lease Extension Payment | <u>1,500,000</u> | <u>1,500,000</u> |
| | <u>\$9,500,000</u> | <u>\$9,500,000</u> |

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1. GENERAL, (continued)

In 2016, the lease was amended extending the term of the lease to 2053. Under the terms of the amended lease, the Authority and the Company have entered a revenue sharing agreement based on the actual gross revenues for the Company from 2027 to 2053.

During the period of the lease, the Company is required to pay all operating, maintenance and repair costs of the facility, except where such repairs or maintenance are a result of Authority fault.

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, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1. GENERAL, (continued)

County Deficiency Agreement

In 1998, the Authority entered into the county deficiency agreement with the County of Union (the "County"). 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.

The agreement provides that, in the event of a shortfall in an amount necessary to pay the service charge or any other amount due the Company, the County of Union is obligated pursuant to the Limited Deficiency Agreement to make a Disposal Fee Shortfall Payment in the amount of such a shortfall.

As a Public body under existing statute, the Authority is exempt from both Federal and State Taxes.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The financial statements of the Union County Utilities Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described below.

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

B. Basis of Accounting

The Union County Utilities Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

C. Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The primary criterion for including activities within the Authority's reporting entity, is set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Based on this criteria, the Authority is a legally separate organization and has no component units.

D. Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

E. Grants

Grants receivable, if any, represent the total grant awards less amounts collected to date. Grants, if any, not internally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

F. Inventories of Materials and Supplies

The cost of inventories, primarily chemicals for the treatment of sewerage and sludge, are recorded as expenditures at the time individual items are purchased, since they are not material to the results of operations and financial position.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

G. Property, Plant and Equipment

Property, Plant and Equipment is 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 capital assets as of December 31, 2023 and 2022 are as follows:

| | <u>Balance</u> <u>12/31/22</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/23</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 | 40,026 | 10,201 | | 50,227 |
| | 244,918,818 | 10,201 | 0 | 244,929,019 |
| Less: Accumulated Depreciation | <u>(206,084,681)</u> | <u>(6,474,398)</u> | | <u>(212,559,079)</u> |
| Total Capital Assets | <u>\$38,834,137</u> | <u>(\$6,464,197)</u> | <u>\$0</u> | <u>\$32,369,940</u> |

| | <u>Balance</u> <u>12/31/21</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/22</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 | 40,026 | | | 40,026 |
| | 244,918,818 | 0 | 0 | 244,918,818 |
| Less: Accumulated Depreciation | <u>(199,574,443)</u> | <u>(6,510,238)</u> | | <u>(206,084,681)</u> |
| Total Capital Assets | <u>\$45,344,375</u> | <u>(\$6,510,238)</u> | <u>\$0</u> | <u>\$38,834,137</u> |

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

H. Restricted Accounts

In accordance with the bond resolutions securing the 2011 Resource Recovery Facility Lease Bonds, the 1998 Solid Waste Landfill Bonds and the 2011 Solid Waste System Bonds, the Authority has established various cash and investment accounts with a trustee. In addition, the bond resolutions provide restrictions on the use of funds in the accounts.

| <u>Fund</u> | <u>Amount</u> | <u>Use for Which Restricted</u> |
|-----------------------|---|--|
| Revenue | Operating revenues received by the Authority | Transfers to various accounts described below |
| Operating | Transfers from Revenue Fund | Operating Expenses |
| Bond Reserve Accounts | As outlined in the bond agreements | Provide additional security to bondholders |
| 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 |

I. Unamortized Gain on Refunded Debt

Gains on refunded debt are being amortized over the remaining life of the issues.

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

J. Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position, and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

L. Risk of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed policy coverage limits.

M. Sick and Vacation Leave

The Authority's policies regarding sick time permit employees to accumulate earned but unused sick leave. The proprietary fund reports the liability as it is incurred.

N. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

O. Recent Accounting Pronouncements

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Authority is determining what effects, if any, this pronouncement will have on future financial statements.

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Authority is determining what effects, if any, this pronouncement will have on future financial statements.

In December 2023, the Government Accounting Standards Board issued GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Commission is determining what effects, if any, this pronouncement will have on future financial statements.

In April 2024, the Government Accounting Standards Board issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, though, earlier application is encouraged. The Authority is currently reviewing the provisions of this Statement and plans to implement, as needed, before the effective date.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

P. Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest.

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

As of December 31, 2023 and 2022, the Authority's cash and cash equivalents are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------|---------------------|---------------------|
| Unrestricted | \$10,713,624 | \$10,671,214 |
| Restricted | <u>12,067,516</u> | <u>12,404,942</u> |
| | <u>\$22,781,140</u> | <u>\$23,076,156</u> |

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

The carrying amount of the Authority's cash and cash equivalents at December 31, 2023 was \$22,781,140 and the bank balance was \$23,166,220. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2023, \$-0- of the Authority's bank balance of \$23,166,220 was exposed to custodial risk.

NOTE 4. 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.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4. INVESTMENTS, (continued)

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>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| U.S. Government Agency Bonds and Obligations | <u>\$18,157,419</u> | <u>\$18,157,024</u> |

Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Authority does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2023, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balances was exposed to custodial credit risk.

Based upon the limitation set forth by New Jersey Statutes and existing investment practices, the Authority is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

The fair-value hierarchy of inputs the Authority uses to value an asset or liability. The three levels of the fair value hierarchy are described as follows:

- Level 1 – Quoted prices for identical instruments in active markets. Assets utilizing Level 1 inputs are marketable securities and other investments that are actively traded and provide the basis for fair value measurement.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly. Currently, the Authority does not have any Level 2 financial instrument inputs.
- Level 3 – Significant inputs to the valuation model are unobservable. Currently, the Authority does not have any Level 3 financial instrument inputs.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5. BONDS AND NOTES PAYABLE

In 1998, the Authority issued \$323,727,990 of Solid Waste Bonds to provide funds to retire the 1991 Solid Waste System Bonds and to finance the restructuring of the Solid Waste System.

In 2011, the Authority issued \$228,985,000 of Solid Waste and System Bonds to provide funds to retire the 1998 Lease Revenue and County Deficiency Bonds. Principal payments due on the bonds for the next five years are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|----------------------|---------------------|----------------------|
| 2024 | \$4,765,000 | \$8,012,458 | \$12,777,458 |
| 2025 | 4,990,000 | 7,778,901 | 12,768,901 |
| 2026 | 4,830,000 | 7,536,185 | 12,366,185 |
| 2027 | 6,770,000 | 7,308,900 | 14,078,900 |
| 2028 | 7,060,000 | 6,985,175 | 14,045,175 |
| Thereafter | <u>133,335,000</u> | <u>27,937,450</u> | <u>161,272,450</u> |
| | <u>\$161,750,000</u> | <u>\$65,559,069</u> | <u>\$227,309,069</u> |
| Current Portion | \$4,765,000 | \$8,012,458 | \$12,777,458 |
| Long-Term Portion | <u>156,985,000</u> | <u>57,546,611</u> | <u>214,531,611</u> |
| | <u>\$161,750,000</u> | <u>\$65,559,069</u> | <u>\$227,309,069</u> |

NOTE 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.

NOTE 7. PENSION PLAN

Description of Plans:

Authority employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a). -32-

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7. PENSION PLAN, (continued)

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

| <u>Tier</u> | <u>Definition</u> |
|-------------|--|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

Public Employees' Retirement System (PERS), (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLAN, (continued)

Defined Contribution Retirement Program, (continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 7.5% for PERS. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

Three Year Trend Information for PERS

| <u>Year</u> | <u>Annual</u> | <u>Percentage</u> |
|-----------------------|--------------------------|---------------------------|
| <u>Funding</u> | <u>Pension</u> | <u>of APC</u> |
| | <u>Cost (APC)</u> | <u>Contributed</u> |
| 12/31/23 | \$224,246 | 100% |
| 12/31/22 | 211,354 | 100% |
| 12/31/21 | 169,753 | 100% |

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At December 31, 2023 and 2022, the Authority reported a liability of \$2,430,226 and \$2,529,347 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

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 governments, actuarially determined. At June 30, 2023, the Authority's proportion was 0.01677826 percent, which was an increase of 0.000701813 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Authority recognized pension expense of \$138,603. At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Deferred Outflows of Resources: | | |
| Changes of assumptions | \$5,339 | \$7,837 |
| Net difference between projected and actual earnings on pension plan investments | 34,428 | 122,943 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 361,368 | 521,455 |
| Authority contributions subsequent to the measurement date | <u>46,500</u> | <u>41,601</u> |
| Total | <u>\$447,635</u> | <u>\$693,836</u> |
| | | |
| | <u>2023</u> | <u>2022</u> |
| Deferred Inflows of Resources: | | |
| Changes of assumptions | \$147,282 | \$378,743 |
| Net difference between projected and actual earnings on pension plan investments | <u>9,934</u> | <u>16,099</u> |
| Total | <u>\$157,216</u> | <u>\$394,842</u> |

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS
PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

The \$46,500 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2023, the plan measurement date is June 30, 2023) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>Dec. 31, 2023</u> | <u>Dec. 31, 2022</u> |
|------|----------------------|----------------------|
| 2023 | \$ | \$(112,674) |
| 2024 | (128,307) | (6,245) |
| 2025 | (71,616) | 50,385 |
| 2026 | 100,078 | 221,894 |
| 2027 | (17,910) | 104,033 |
| 2028 | 305 | - |

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.08, 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2023 and June 30, 2022 are as follows:

| | <u>June 30, 2023</u> | <u>June 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 | 14,606,489,066 | 15,219,184,920 |
| Authority's Proportion | 0.01677826% | 0.0167601865% |

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The collective 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, applied to all periods in the measurement.

| | |
|---------------------------|--|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases | 2.75-6.55% (based on years of service) |
| Investment Rate of Return | 7.00 % |

The actuarial assumptions used in the July 1, 2022 valuation 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 the experience deviates, 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 table 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. Post-retirement 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 a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2021.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|--------------------------|---|
| U.S. Equity | 28.00% | 8.98% |
| Non-U.S. Developed Market Equity | 12.75% | 9.22% |
| Intentional Small Cap Equity | 1.25% | 9.22% |
| Emerging Market Equity | 5.50% | 11.13% |
| Private Equity | 13.00% | 12.50% |
| Real Estate | 8.22% | 8.58% |
| Real Assets | 3.00% | 8.40% |
| High Yield | 4.50% | 6.97% |
| Private Credit | 8.00% | 9.20% |
| Investment Grade Credit | 7.00% | 5.19% |
| Cash Equivalents | 2.00% | 3.31% |
| U.S. Treasuries | 4.00% | 3.31% |
| Risk Mitigation Strategies | 3.00% | 6.21% |

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 State employer 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, 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:

| <u>June 30, 2023</u> | | | |
|---|--------------------------------|---|--------------------------------|
| | 1% Decrease <u>6.00%</u> | At Current Discount Rate <u>7.00%</u> | 1% Increase <u>8.00%</u> |
| Authority's proportionate share of the pension liability | \$3,190,308 | \$2,430,226 | \$1,821,222 |
| <u>June 30, 2022</u> | | | |
| | 1% Decrease <u>6.00%</u> | At Current Discount Rate <u>7.00%</u> | 1% Increase <u>8.00%</u> |
| Authority's proportionate share of the pension liability | \$3,249,465 | \$2,529,343 | \$1,916,490 |

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).

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 8. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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 was \$45,128, respectively, which equalled the required contributions for each year.

Eligibility

Employees of the Union County Utilities 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.

Contributions

The contribution requirements of the Authority and Plan members are established and may be amended by the Authority's governing body.

Employees Covered by Benefits Terms

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits payments | 7 |
| Inactive employees entitles to but not currently receiving benefits payments | 0 |
| Active employees | <u>13</u> |
| | <u>20</u> |

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Net OPEB Liability

The Authority's total Net OPEB liability of \$5,768,874 and \$7,831,755 was measured as of December 31, 2023 and 2022, respectively, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 and 2023 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.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

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.

Changes in the Net OPEB Liability

| | Dec. 31 <u>2023</u> | Dec. 31 <u>2022</u> |
|---|------------------------|------------------------|
| A. Balance as Beginning of year | <u>\$7,831,755</u> | <u>\$10,863,610</u> |
| B. Changes for the year | | |
| Service Cost | 193,054 | 300,596 |
| Interest Cost | 143,041 | 216,085 |
| Change of Benefit terms (plan change) | 0 | 0 |
| Net Investment Income | | |
| Difference between Actual and Expected Experience (gains)/losses | 0 | (4,760,695) |
| Assumption changes | (2,283,366) | 1,318,364 |
| Benefits Paid | <u>(115,610)</u> | <u>(106,205)</u> |
| Net Changes | <u>(2,062,881)</u> | <u>(3,031,855)</u> |
| C. Balance as of End of Year (Meas. Date 12/31 prior year) | | |
| Actives | \$3,976,118 | \$5,604,933 |
| Inactives | <u>1,792,756</u> | <u>2,226,822</u> |
| Total | <u>\$5,768,874</u> | <u>\$7,831,755</u> |
| D. Covered Employees Payroll | \$802,244 | \$1,216,951 |
| Total OPEB Liability as a Percentage Of Covered Payroll | 719.09% | 643.56% |

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 8. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

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

For the year ended December 31, 2022 the actuarially determined OPEB expense reflected in the Plan was \$951,055. The OPEB expense recognized in the Authority's financial statement based on actual billing was \$45,128.

At December 31, 2022, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|--|--|---|
| Net difference between projected and actual earnings on OPEB plan investments | \$ - | \$3,967,246 |
| Difference between expected and actual experience | <u>2,547,764</u> | <u>-</u> |
| Total | <u>\$2,547,764</u> | <u>\$3,967,246</u> |

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 December 31:</u> | Outflows | Inflows | (Decrease) / Increase |
|------------------------------------|-----------------|----------------|----------------------------------|
| 2023 | 635,130 | 793,449 | (158,319) |
| 2024 | 635,130 | 793,449 | (158,319) |
| 2025 | 635,131 | 793,449 | (158,318) |
| 2026 | 422,644 | 793,449 | (370,805) |
| 2027 | 219,729 | 793,450 | (573,721) |
| Thereafter | - | - | - |

**UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 8. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (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 Union County Postretirement Healthcare Plan. The report may be obtained through the Union County Finance Department at 10 Elizabethtown Plaza, Elizabeth N.J. 07207.

NOTE 9. ACCRUED SICK AND VACATION BENEFITS

The Authority permits employees to accrue a limited amount of unused vacations and sick pay, which may be paid upon retirement or death at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$48,269 and \$95,243 at December 31, 2023 and 2022, respectively.

NOTE 10. COMMITMENTS 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.

NOTE 11. 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 establishes 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.

UNION COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12. UNRESTRICTED NET ASSETS

At December 31, 2022 and 2021, the Authority reported a total amount of \$908,867 and (\$1,863,224), respectively, of Unrestricted Net Position - Undesignated for the purposes described below:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|-------------------------|-----------------------------|
| OPEB Related | (7,030,037) | (9,251,237) |
| Pension Related | (2,139,807) | (2,230,349) |
| Available for Use in Future Budgets | <u>10,078,711</u> | <u>9,618,362</u> |
| | <u><u>\$908,867</u></u> | <u><u>(\$1,863,224)</u></u> |

NOTE 13. SUBSEQUENT EVENTS

The Union County Utilities Authority has evaluated subsequent events through August 22, 2024, the date which the financial statements were available to be issued and no items were noted for disclosure.

NOTE 14. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

In 2023, the Authority reclassified certain restricted cash and net position as follows:

| | Balance Dec. 31, 2022 as Previously <u>Reported</u> | Retroactive <u>Adjustments</u> | Balance Dec. 31, 2022 as Restated |
|----------------------------------|--|-----------------------------------|---|
| Net Position: | | | |
| Net Investment in Capital Assets | (127,460,863) | (621,901) | (128,082,764) |
| Restricted | 27,087,677 | 2,888,337 | 29,976,014 |
| Unrestricted | <u>403,212</u> | <u>(2,266,436)</u> | <u>(1,863,224)</u> |
| | <u><u>(\$99,969,974)</u></u> | <u><u>\$ -</u></u> | <u><u>(\$99,969,974)</u></u> |

Required Supplementary Information - Part II

UNION COUNTY UTILITIES AUTHORITY

Schedule of the Authority's Proportionate Share of the Net Pension Liability

Public Employees Retirement System Last Ten Years

| Fiscal Year Ending June 30, | Authority's | Authority's | Authority's | Authority's | Plan Fiduciary |
|-----------------------------------|--|---|--------------------------------|--|--|
| | Proportionate Share of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered Employee Payroll | Proportion Share of the Net Pension Liability (Asset) as a Percentage of it's Covered- Employee Payroll | Net Position as a Percentage of the Total Pension Liability |
| 2014 | 0.0137833862% | \$ 2,016,840 | \$ 787,228 | 256.20% | 52.08% |
| 2015 | 0.0117751838% | \$ 2,643,293 | \$ 765,366 | 345.36% | 47.93% |
| 2016 | 0.0110446396% | \$ 3,271,105 | \$ 837,771 | 390.45% | 40.14% |
| 2017 | 0.0123238167% | \$ 2,868,788 | \$ 899,422 | 318.96% | 48.10% |
| 2018 | 0.0132253000% | \$ 2,603,996 | \$ 956,554 | 272.23% | 53.60% |
| 2019 | 0.0133459725% | \$ 2,404,742 | \$ 987,239 | 243.58% | 56.27% |
| 2020 | 0.0134983371% | \$ 2,201,226 | \$ 1,059,164 | 207.83% | 58.32% |
| 2021 | 0.0144949747% | \$ 1,717,147 | \$ 1,208,962 | 142.03% | 42.18% |
| 2022 | 0.0167601865% | \$ 2,529,343 | \$ 1,216,951 | 207.84% | 46.41% |
| 2023 | 0.0167782586% | \$ 2,430,226 | \$ 802,244 | 302.93% | 54.80% |

UNION COUNTY UTILITIES AUTHORITY

Schedule of the Authority's Contributions

Public Employees Retirement System Last Ten Years

| Fiscal Year Ending June 30, | Contributions in Relation to the | | Contribution Deficiency (Excess) | Authority's Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|-----------------------------------|---|---|--|--|--|
| | Contractually Required Contribution | Contractually Required Contribution | | | |
| 2014 | \$ 103,855 | \$ 2,016,840 | \$ - | \$ 787,228 | 13.19% |
| 2015 | \$ 101,235 | \$ 2,643,293 | \$ - | \$ 765,366 | 13.23% |
| 2016 | \$ 98,119 | \$ 3,271,105 | \$ - | \$ 837,771 | 11.71% |
| 2017 | \$ 114,167 | \$ 2,868,788 | \$ - | \$ 899,422 | 12.69% |
| 2018 | \$ 131,549 | \$ 2,603,996 | \$ - | \$ 956,554 | 13.75% |
| 2019 | \$ 129,817 | \$ 2,404,742 | \$ - | \$ 987,239 | 13.15% |
| 2020 | \$ 147,665 | \$ 2,201,226 | \$ - | \$ 1,059,164 | 13.94% |
| 2021 | \$ 169,753 | \$ 1,717,147 | \$ - | \$ 1,208,962 | 14.04% |
| 2022 | \$ 211,354 | \$ 2,529,343 | \$ - | \$ 1,216,951 | 17.37% |
| 2023 | \$ 224,226 | \$ 2,430,226 | \$ - | \$ 802,244 | 27.95% |

SCHEDULE RSI-3

**UNION COUNTY UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Year ended December 31, 2023**

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 actuarially determined contributions for the local employers.

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

| Fiscal Year Ending June 30, | Authority's Proportion Share of the Net OPEB Liability (Asset) | Authority's | | Authority's | | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|-----------------------------------|---|--|----|---|---|---|
| | | Proportionate Share of the Net OPEB Liability (Asset) | | Authority's Covered Employee Payroll | Proportion Share of the Net OPEB Liability (Asset) as a Percentage of it's Covered- Employee Payroll | |
| 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 | \$ | 1,216,951 | 643.56% | 100.00% |
| 2023 | 100.00% | \$ 5,768,874 | \$ | 802,244 | 719.09% | 100.00% |

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 Contributions

State Health Benefits Local Government Retired Employees Plan Last Ten Years

| Fiscal Year Ending June 30, | Contributions in Relation to the | | Contribution Deficiency (Excess) | Authority's Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|-----------------------------------|---|---|--|--|--|
| | Contractually Required Contribution | Contractually Required Contribution | | | |
| 2019 | \$ 38,612 | \$ 38,612 | \$ - | \$ 987,239 | 3.91% |
| 2020 | \$ 20,292 | \$ 20,292 | \$ - | \$ 1,059,164 | 1.92% |
| 2021 | \$ 42,122 | \$ 42,122 | \$ - | \$ 1,208,962 | 3.48% |
| 2022 | \$ 45,128 | \$ 45,128 | \$ - | \$ 1,216,951 | 3.71% |
| 2023 | N/A | N/A | \$ - | \$ 802,244 | N/A |

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

SCHEDULE RSI-6

**UNION COUNTY UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Year ended December 31, 2023**

Union County Post-Retirement Healthcare Plan

Changes in Benefit Terms - None

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

Supplementary Schedules

UNION COUNTY UTILITIES AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

FOR YEAR ENDED DECEMBER 31, 2023

| | Net Investment in Capital Assets | Restricted | | | | | Unrestricted | | Total |
|---|--|-------------------------|--|-----------------------------------|------------------------|-------------------------------|-------------------------|--------------|--------------|
| | | Unemployment Reserve | Environmental Invest. Charge Reserve | Bond / Loan Service Reserve | Bond / Loan Reserve | Working Capital Reserve | Project Fund Reserve | Undesignated | |
| Operating Revenue: | | | | | | | | | |
| Facility Lease Revenue | | | | | | | | 9,500,000 | 9,500,000 |
| Tipping Fees - Resource Recovery | | | | | | | | 16,671,765 | 16,671,765 |
| UCUA Administrative Fees | | | | | | | | 504,410 | 504,410 |
| EIC Fees | | | | | | | | 9,636,015 | 9,636,015 |
| Program Tipping Fees | | | | | | | | 9,740,532 | 9,740,532 |
| Miscellaneous | | | | | | | | 196,133 | 196,133 |
| Total Operating Revenue | - | - | - | - | - | - | - | 46,248,855 | 46,248,855 |
| Operating Expense: | | | | | | | | | |
| Operating Expenses | 6,474,397 | | | | | | | 28,243,849 | 28,243,849 |
| Depreciation | | | | | | | | 6,474,397 | 6,474,397 |
| Total Operating Expense | 6,474,397 | - | - | - | - | - | - | 28,243,849 | 34,718,246 |
| Operating Income | (6,474,397) | - | - | - | - | - | - | 18,005,006 | 11,530,609 |
| Non-Operating Revenue (Expense): | | | | | | | | | |
| Interest Income | | | | | | | | 703,113 | 703,113 |
| Interest Expenses / Amortization | 66,615 | | | | | | | (8,412,091) | (8,345,476) |
| Tipping Fees Reimbursed to Towns | | | | | | | | (2,587,443) | (2,587,443) |
| Railway Host Fee | | | | | | | | (2,328,948) | (2,328,948) |
| Interlocal Agreement - County of Union | | | | | | | | (500,000) | (500,000) |
| Oversite Services - County of Union | | | | | | | | (150,000) | (150,000) |
| Pension Related | | | | | | | | 44,042 | 44,042 |
| OPEB Related | | | | | | | | 2,221,200 | 2,221,200 |
| | 66,615 | - | - | - | - | - | - | (11,010,127) | (10,943,512) |
| Net Income (Loss) Before Transfers | (6,407,782) | - | - | - | - | - | - | 6,994,879 | 587,097 |
| Capital Contributions: | | | | | | | | | |
| Principal Forgiveness | - | | | | | | | - | - |
| Transfers: | | | | | | | | | |
| Bond Principal Payments | 4,545,000 | | (159,694) | (445,670) | 164,502 | 118,303 | 347 | (4,545,000) | - |
| Other Transfers | | | | | | | | 322,212 | - |
| Increase/(Decrease) in Net Position | (1,862,782) | - | (159,694) | (445,670) | 164,502 | 118,303 | 347 | 2,772,091 | 587,097 |
| Net Position - January 1, 2023 | (128,082,764) | 112,611 | 3,361,684 | 1,344,096 | 22,637,722 | 2,512,528 | 7,373 | (1,863,224) | (99,969,974) |
| Net Position - December 31, 2023 | (129,945,546) | 112,611 | 3,201,990 | 898,426 | 22,802,224 | 2,630,831 | 7,720 | 908,867 | (99,382,877) |

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE 2

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH

FOR THE YEAR ENDED DECEMBER 31, 2023

| | Unrestricted Accounts | Restricted Accounts | Total |
|---|--------------------------|------------------------|-------------------|
| Cash, Cash Equivalents and Investments - January 1, 2023 | 10,671,214 | 30,561,966 | 41,233,180 |
| Cash Receipts: | | | |
| Interest on Investments | 703,113 | | 703,113 |
| Facility Lease | 9,500,000 | | 9,500,000 |
| Tipping Fees | 35,875,762 | | 35,875,762 |
| Miscellaneous | 196,133 | | 196,133 |
| Transfers | | 12,440,584 | 12,440,584 |
| Total Cash Receipts | 46,275,008 | 12,440,584 | 58,715,592 |
| Cash and Investments Available | 56,946,222 | 43,002,550 | 99,948,772 |
| Cash Disbursements: | | | |
| Operations | 33,607,482 | | 33,607,482 |
| Debt Service Payments | | 12,777,615 | 12,777,615 |
| Other | 184,532 | | 184,532 |
| Transfers | 12,440,584 | | 12,440,584 |
| Total Cash Disbursements | 46,232,598 | 12,777,615 | 59,010,213 |
| Cash, Cash Equivalents and Investments - December 31, 2023 | 10,713,624 | 30,224,935 | 40,938,559 |
| Analysis of Balance: | | | |
| Cash and Cash Equivalents | 10,713,624 | 12,067,516 | 22,781,140 |
| Investments | - | 18,157,419 | 18,157,419 |
| | 10,713,624 | 30,224,935 | 40,938,559 |

UNION COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023

| | FY 2023 Adopted Budget | FY 2023 Budget as Amended | Current Year Actual | Excess / (Deficit) | Prior Year Actual |
|---|------------------------------|---------------------------------|------------------------|-----------------------|----------------------|
| Revenues | | | | | |
| Operating Revenues: | | | | | |
| Facility Lease Revenue | 9,500,000 | 9,500,000 | 9,500,000 | - | 9,564,726 |
| Tipping Fees - Resource Recovery | 15,699,700 | 15,699,700 | 16,671,765 | 972,065 | 15,887,322 |
| UCUA Administrative Fees | 475,000 | 475,000 | 504,410 | 29,410 | 503,337 |
| EIC Fees | 11,093,900 | 11,093,900 | 9,636,015 | (1,457,885) | 8,996,736 |
| Program Tipping Fees | 11,054,400 | 11,054,400 | 9,740,532 | (1,313,868) | 9,565,449 |
| Miscellaneous | 172,805 | 172,805 | 196,133 | 23,328 | 168,378 |
| Non-Operating Revenues: | | | | | |
| Interest on Investments | 15,000 | 15,000 | 703,113 | 688,113 | 95,983 |
| Total Revenues | 48,010,805 | 48,010,805 | 46,951,968 | (1,058,837) | 44,781,931 |
| Expenses | | | | | |
| Operating Appropriations: | | | | | |
| Administration | | | | | |
| Personnel: | | | | | |
| Salaries and wages | 1,365,775 | 1,365,775 | 1,003,179 | 362,596 | 1,348,162 |
| Fringe Benefits | 244,890 | 244,890 | 550,521 | (305,631) | 576,234 |
| Other Expenses: | | | | | |
| Accounting Services | 38,000 | 38,000 | 38,000 | - | 38,000 |
| ADP Processing Fees | 15,000 | 15,000 | 14,557 | 443 | 15,935 |
| Advertising | 1,500 | 1,500 | 1,665 | (165) | 2,632 |
| Auto Gas, Repairs and Maintenance | 12,500 | 12,500 | 39,173 | (26,673) | 13,591 |
| Trustee Fees | 6,000 | 6,000 | 6,000 | - | - |
| Bank Fees | 1,500 | 1,500 | - | 1,500 | 927 |
| Computer Consulting Fees | 42,000 | 42,000 | 94,234 | (52,234) | 51,124 |
| County Oversight Services | 150,000 | 150,000 | 150,000 | - | 150,000 |
| Dues and Subscriptions | 5,000 | 5,000 | 6,636 | (1,636) | 5,733 |
| Financial Consultant | 60,000 | 60,000 | 99,851 | (39,851) | 30,296 |
| Rahway Host Community Fee | 2,800,000 | 2,800,000 | 2,328,948 | 471,052 | 1,828,887 |
| Legal Services | 200,000 | 200,000 | 158,323 | 41,677 | 53,233 |
| Engineering | 175,000 | 175,000 | 73,106 | 101,894 | 53,225 |
| Insurance - General Liability | 36,000 | 36,000 | 24,211 | 11,789 | 88,136 |
| Insurance Consultant | 1,000 | 1,000 | 500 | 500 | 1,000 |
| Miscellaneous Office Expense | 18,000 | 18,000 | 19,242 | (1,242) | 14,115 |
| Office Equipment, Copiers and Pagers | 30,000 | 30,000 | 8,009 | 21,991 | 8,723 |
| Office, Park and Property Maintenance | 30,000 | 30,000 | 19,480 | 10,520 | 24,239 |
| Pension Assessment (PERS) | 176,000 | 176,000 | 217,208 | (41,208) | 176,020 |
| Permits and Fees | 2,400 | 2,400 | 88,501 | (86,101) | - |
| Postage and Delivery | 3,000 | 3,000 | 7,879 | (4,879) | 3,827 |
| Printing and Office Supplies | 3,000 | 3,000 | 4,286 | (1,286) | 4,469 |
| Public Relations | 6,000 | 6,000 | - | 6,000 | - |
| Safety and First Aid Equipment | 2,400 | 2,400 | - | 2,400 | - |
| Service Fee - Covanta - Program Waste (Type 10) | 11,054,400 | 11,054,400 | 9,740,533 | 1,313,867 | 9,060,366 |
| Service Fee - Covanta (Contract Customers) | 15,002,400 | 15,002,400 | 15,917,655 | (915,255) | 15,134,603 |
| Service Fee - Covanta - Shortfall Tons, net (Type | - | - | 76,030 | (76,030) | - |
| Service Fee - Covanta - NJMC - Type 13 | 9,240,000 | 9,240,000 | - | 9,240,000 | - |
| Tipping Fee Reimbursement to Towns | 2,280,000 | 2,280,000 | 2,421,069 | (141,069) | 2,446,990 |
| Tonnage Rebate (\$3/Ton) | 164,000 | 164,000 | 166,374 | (2,374) | 182,398 |
| Interlocal Agreement - County of Union | 500,000 | 500,000 | 500,000 | - | 500,000 |
| Telephone | 15,000 | 15,000 | 9,899 | 5,101 | 12,673 |
| Utilities | - | - | 9,488 | (9,488) | 11,271 |
| Travel, Seminars and Conferences | 3,000 | 3,000 | 3,198 | (198) | 5,804 |
| Uniforms and Equipment | 9,000 | 9,000 | 10,526 | (1,526) | 9,606 |
| UCUA Meetings | 1,000 | 1,000 | 1,959 | (959) | 1,532 |
| | 43,693,765 | 43,693,765 | 33,810,240 | 9,883,525 | 31,853,751 |
| Total Operating Appropriations | 43,693,765 | 43,693,765 | 33,810,240 | 9,883,525 | 31,853,751 |

UNION COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>FY 2023 Adopted Budget</u> | <u>FY 2023 Budget as Amended</u> | <u>Current Year Actual</u> | <u>Excess / (Deficit)</u> | <u>Prior Year Actual</u> |
|--|---------------------------------------|--|--------------------------------|-------------------------------|------------------------------|
| Non-Operating Appropriations: | | | | | |
| Debt Service | | | | | |
| Principal Payments on Debt | 1,875,000 | 1,875,000 | 4,545,000 | (2,670,000) | 4,345,000 |
| Interest Payments on Debt | <u>2,442,040</u> | <u>2,442,040</u> | <u>8,232,615</u> | <u>(5,790,575)</u> | <u>8,437,194</u> |
| Total Non-Operating Appropriations | <u>4,317,040</u> | <u>4,317,040</u> | <u>12,777,615</u> | <u>(8,460,575)</u> | <u>12,782,194</u> |
| Total Appropriations | <u>48,010,805</u> | <u>48,010,805</u> | <u>46,587,855</u> | <u>1,422,950</u> | <u>44,635,945</u> |
| Excess (Deficit) of Revenues Over Expenses | - | - | 364,113 | | 145,986 |
| Reconciliation of Budgetary Basis to GAAP: | | | | | |
| Increases to Budgetary Income: | | | | | |
| Principal Paid on Debt | | | 4,545,000 | | 4,345,000 |
| Accrued Interest Payable - Net | | | 14,819 | | 13,936 |
| Interest Expense - Deferred Gain on Refunding | | | 117,031 | | 143,347 |
| Accrued Expense - Pension Related | | | 44,042 | | 109,357 |
| Accrued Expense - OPEB Related | | | 2,221,200 | | - |
| Decreases to Budgetary Income: | | | | | |
| Interest Expense - Original Issue Discount/Premium | | | (60,616) | | (74,247) |
| Interest Expense - Prepaid Rents | | | (184,095) | | (173,676) |
| Accrued Expense - OPEB Related | | | - | | (252,157) |
| Depreciation | | | <u>(6,474,397)</u> | | <u>(6,511,639)</u> |
| Change in Net Position | | | <u>587,097</u> | | <u>(2,254,093)</u> |

UNION COUNTY UTILITIES AUTHORITY**ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS**

The following officials were in office at December 31, 2023:

| <u>Name</u> | <u>Office</u> |
|-------------------------|------------------------|
| Ray Szpond | Chairman |
| Laura Scutari | Vice Chairman |
| Roy Eastman | Treasurer |
| Margaret McManus | Secretary |
| Manual Figueiredo | Commissioner |
| Edward Jackus | Commissioner |
| Edward Kahn | Commissioner |
| Robert Rachlin | Commissioner |
| Ronlard Scot Bey | Alternate Commissioner |
| Carlos Alma | Alternate Commissioner |
| Linda Stender | Executive Director |
| Weber Dowd Law, LLC | Legal Counsel |
| Wielkocz & Company, LLC | Auditors |

Government Auditing Standards Report



WIELKOTZ & 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 FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members
Union County Utilities Authority
Rahway, New Jersey 07065

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Union County Utilities Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Union County Utilities Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

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.

Compliance and Other Matters

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

Purpose of this Report

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



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

August 22, 2024

UNION COUNTY UTILITIES AUTHORITY

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$44,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

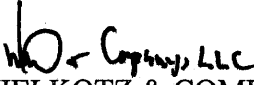
Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

UNION COUNTY UTILITIES AUTHORITY

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

We wish to thank Union County Utilities Authority for their cooperation during the performance of our audit.

Respectfully submitted,


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