

Annual
Financial Report

of the

Union County Utilities Authority

For the Years Ended December 31, 2021 and 2020

Prepared By

Union County Utilities Authority

Finance Department

UNION COUNTY UTILITIES AUTHORITY

I N D E X

PAGE
NUMBER

FINANCIAL SECTION

Independent Auditor's Report	1-3
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	4-5
Management Discussion and Analysis	6-11

BASIC FINANCIAL STATEMENTS

EXHIBITS

"A"	Statements of Net Position - December 31, 2021 and 2020	12-13
"B"	Statements of Revenue, Expenses and Changes in Net Position for the Years Ended December 31, 2021 and 2020	14
"C"	Statements of Cash Flows for the Years Ended December 31, 2021 and 2020	15
	Notes to Financial Statements - December 31, 2021 and 2020	16-40

SUPPLEMENTAL INFORMATION

SCHEDULES

R-1	Schedule of Authority's Proportionate Share of the Net Pension Liability – Public Employees Retirement System – Last Ten Years	41
R-2	Schedule of Authority's Contributions – Public Employees Retirement System – Last Ten Years	42
R-3	Schedule Related to Accounting and Reporting for Pension (GASB 68) – Note to RSI III	43
S-1	Schedule of Authority's Proportionate Share of the Net OPEB Liability – State Health Benefits Local Government Retired Employees Plan – Last Ten Years	44
S-2	Schedule of Authority's Contributions – State Health Benefits Local Government Retired Employee Plan - Last Ten Years	45
S-3	Schedule Related to Accounting and Reporting for OPEB (GASB 75) – Note to RSI III	46

UNION COUNTY UTILITIES AUTHORITY

I N D E X

SUPPLEMENTAL INFORMATION (CONTINUED)

SCHEDULES (CONTINUED)

1	Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget for the Year Ended December 31, 2021	47
2	Schedule of Bonds Payable - December 31, 2021	48-50
	General Comments and Recommendations	51

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Union County Utilities Authority
1499 Routes 1 & 9 North
Rahway, New Jersey 07065

Report on the Financial Statements

We have audited the accompanying financial statements of the Union County Utilities Authority, which comprise the statements of net position as of and for the years ended December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the Union County Utilities Authority, as of December 31, 2021 and 2020, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

SUPLEE, CLOONEY & COMPANY

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis and the schedules related to accounting, reporting for pensions in Schedule R-1 through R-3, and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Schedule S-1 through S-3 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2022 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 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.

July 23, 2022





SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

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

Union County Utilities Authority
1499 Routes 1 & 9 North
Rahway, New Jersey 07065

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Union County Utilities Authority as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Union County Utilities Authority's basic financial statements, and have issued our report thereon dated July 23, 2022.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.

July 23, 2022



MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Unaudited

In this section of the annual report, management of the Union County Utilities Authority (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended December 31, 2021 and 2020. This section of the report should be read in conjunction with the Authority's audited financial statements and supplementary information for the years ended December 31, 2021 and 2020. The Authority's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

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

Financial Highlights

Total assets and deferred outflows of resources at year-end were \$95.4 million. Total liabilities and deferred inflows of resources were \$190.7 million.

Operating revenues totaled \$45.1 million which is an increase of \$3.4 million or 8.2% from the prior year operating revenue of \$41.6 million.

The major source of revenue is from Tipping Fees which totaled \$35.4 million. This represents an increase of \$3.4 million from 2020 tipping fees of \$31.9 million. Another major source of revenue is from the Facility Lease which totaled \$9.5 million which is unchanged from the 2020 revenues of \$9.5 million.

Operating expenses were \$37.2 million which is an increase of \$2.6 million or 7.6% over prior year expenses of \$34.6 million. Total expenses budgeted for 2021 were \$42.3 million.

Interest expense for 2021 was \$8.7 million which is a decrease of \$132 thousand from 2020 expense of \$8.8 million.

Cash and Investments of \$41.2 million increased \$481 thousand from prior year's total of \$40.7 million.

Bonds Payable of \$170.6 million decreased \$4.2 million or 2.4% from prior year's total of \$174.8 million.

Overview of Annual Financial Report

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

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

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

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

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

The Government Accounting Standards Board (GASB) Statement 68 requires state and local governmental entities to disclose their unfunded pension liabilities. The Authority participates in the pension plan sponsored by the State of New Jersey, which has a publicized, large unfunded liability. Although the Authority is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Authority employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. Understandably, the net pension liability of \$1,717,147, shown within non-current liabilities, is a significant amount at December 31, 2021.

The Government Accounting Standards Board (GASB) Statement 75 requires state and local governmental entities to disclose their unfunded OPEB (postretirement benefits other than pension) liabilities. The Authority participates in a cost-sharing, defined benefit post-employment healthcare plan Union County Postretirement Healthcare Plan currently administered by the County of Union. The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers, GASB 75 dictates that the amount represented by Authority employees participating be reported in the audited financial statements to promote better financial clarity. Understandably, the net OPEB liability of \$10,863,610, shown within non-current liabilities, is a significant amount at December 31, 2021.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The Union County Utilities Authority (UCUA) is a public body corporate and politic organized and existing under the Municipal and County Utilities Authorities Law. Pursuant to the Municipal and County Utilities Authorities Law constituting Chapter 183 of the pamphlet laws of 1957 of the State of New Jersey, the Authority was created by virtue of an ordinance adopted by the Board of County Commissioners of the County of Union, New Jersey on June 5, 1986, as amended December 11, 1986.

The Authority has entered into a lease agreement with Covanta of Union, Inc. for the lease of the facility and facility site. In addition, the Authority entered into a waste disposal agreement with the Company for the disposal of waste by the Authority.

Other agreements entered into by the Authority include a landfill agreement with Alliance Sanitary Landfill, Inc. for the disposal of ash and bypass waste, local waste disposal agreements with 14

municipalities and the County of Union, and a county deficiency agreement with the County of Union.

The Authority receives rental payments under the lease agreement for its facilities. In addition, the Authority receives tipping fees and landfill service fees for the disposal of solid waste. Revenues for services provided but not yet billed are accrued for in the financial statement presentation.

A major activity in 2021 involved the UCUA's procurement and designation of disposal sites for the remainder of the Union County solid waste streams not already under an existing flow control program or pursuant to a long-term contract with the UCUA. This flow control program over 1D-10 and 1D-25 was done by way of a Solid Waste Plan Amendment, pursuant to the Solid Waste Management Act, N.J.S.A. 13:1E-1, *et seq.*

This action was taken to allow the UCUA to collect sufficient revenues to pay the remainder of the debt and related expenses, associated with the design, permitting and construction of the Union County Resource Recovery Facility (UCRRF). The UCUA had previously attempted to impose an Environmental Investment Charge (EIC) to collect these needed revenues; however, on June 22, 2000 the New Jersey Supreme Court ruled that the EIC was not a legally valid method to collect this remaining stranded debt resulting from the Atlantic Coast court decision.

The UCUA estimated the ID-10 and ID-25 waste stream in the system, which was to be subject to the new flow control program, to be approximately 150,000 tons. As a result of a non-discriminatory procurement process, Covanta Energy Company, the lowest responsible bidder, was awarded the disposal contract effective July 21, 2008. This procurement enabled the UCUA to direct all Type 10 Program Waste to the UCRRF.

An overall rate of \$102.40 per ton was established to provide the monies required by the UCUA. The procurement and rate were approved and certified by the New Jersey Department of Environmental Protection (NJDEP). The plan was formally implemented on July 21, 2003. The rate has increased to \$110.77 in 2021.

For 2021, the revenues brought in through the new program were as follows:

1. UCRRF	<u>214,541</u> Tons	<u>\$23,764,707</u> Revenue
Total	<u>214,541</u> Total Tons	<u>\$23,764,707</u> Total Revenue

In order to ensure compliance with the new system, the County of Union (County) and the UCUA arranged for the transfer of the solid waste enforcement program from the County to the UCUA. This transfer occurred on May 1, 2003. Thereafter, additional enforcement staff was hired by the UCUA to deal with the added solid waste enforcement responsibilities. The additional administrative cost to the UCUA resulting from this action was \$528,951 in 2021 net of enforcement revenue, fines and penalties collected. It is anticipated that the on-going enforcement costs to the UCUA will be reduced by enforcement revenue, fines and penalties derived from violation of the plan.

Financial Analysis

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

Bonds Payable

The Authority issues bonds to finance its major projects and improvements. A summary of the Bonds Payable activity for the year is as follows:

Bonds Payable at 12/31/2020	\$174,825,000
New Bonds Issued	
Scheduled Bond Retirements	<u>(4,185,000)</u>
Bonds Payable at 12/31/2021	<u>\$170,640,000</u>

Capital Plan

The Union County Utilities Authority does not anticipate any capital improvements in the next calendar year.

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Executive Director of the Union County Utilities Authority at 1499 Routes 1 and 9 North, Rahway, New Jersey 07065.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(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 and service fees from the dumping of residual ash.

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>2021</u>	<u>2020</u>
2011A Facility Lease	\$6,550,079	\$5,835,709
2011B Facility Lease	1,449,921	2,164,291
Lease Extension Payment	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$9,500,000</u>	<u>\$9,500,000</u>

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.

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

	December 31		Variance		2019
	2021	2020	Dollars	%	
<u>Assets</u>					
Cash and Investments	\$ 41,151,920	\$ 40,670,633	\$ 481,287	1.2%	\$ 40,682,607
Accounts Receivable	5,934,186	5,905,628	28,558	0.5%	6,682,883
Property, Plant and Equipment - Net	45,344,375	51,856,738	(6,512,363)	-12.6%	58,376,195
Deferred Outflows of Resources	3,018,789	2,354,512	664,277	28.2%	1,542,853
Total Assets and Deferred Outflows of Resources	\$ 95,449,270	\$ 100,787,511	\$ (5,338,241)	-5.3%	\$ 107,284,538
<u>Liabilities</u>					
Current Liabilities	\$ 4,540,393	\$ 4,407,587	\$ 132,806	3.0%	\$ 4,444,698
Deferred Inflows of Resources	2,509,420	2,521,126	(11,706)	-0.5%	2,683,646
Prepaid Rent	2,894,581	2,730,738	163,843	100.0%	2,576,168
Net Pension Liability	1,717,147	2,201,226	(484,079)	-22.0%	2,404,742
Net OPEB Liability	10,863,610	9,282,462	1,581,148	17.0%	178,875,000
Bonds Payable	170,640,000	174,825,000	(4,185,000)	-2.4%	178,875,000
Total Liabilities	193,165,151	195,968,139	(2,802,988)	-1.4%	190,984,254
<u>Net Position</u>					
Restricted - Deficit	(97,715,881)	(95,180,628)	(2,535,253)	2.7%	(83,699,716)
Total Net Position	(97,715,881)	(95,180,628)	(2,535,253)	2.7%	(83,699,716)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 95,449,270	\$ 100,787,511	\$ (5,338,241)	-5.3%	\$ 107,284,538

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

	December 31		Variance		2019
	2021	2020	Dollars	%	
<u>Operating Revenues:</u>					
Facility Lease Revenue	\$ 9,500,000	\$ 9,500,000	\$ -	0.0%	\$ 9,500,000
Tipping Fees	17,235,359	15,938,488	1,296,871	8.1%	15,023,664
Program EIC	8,455,860	7,576,733	879,127	11.6%	8,966,433
Program Tipping Fees	9,709,239	8,452,733	1,256,506	14.9%	9,875,137
Miscellaneous	168,348	166,476	1,872	1.1%	169,733
Total Operating Revenues	45,068,806	41,634,430	3,434,376	8.2%	43,534,967
<u>Operating Expenses:</u>					
Operations and Maintenance	30,683,749	28,038,697	2,645,052	9.4%	28,345,839
Depreciation	6,512,363	6,519,457	(7,094)	-0.1%	6,544,057
Total Operating Expenses	37,196,112	34,558,154	2,637,958	7.6%	34,889,896
Operating Income	7,872,694	7,076,276	796,418	11.3%	8,645,071
Non Operating (Revenues) Expenses	(10,407,947)	(10,337,162)	(70,785)	0.7%	(10,608,946)
Change in Net Position	(2,535,253)	(3,260,886)	725,633	-22.3%	(1,963,875)
Net Position, Beginning of Year	(95,180,628)	(83,699,716)	(11,480,912)	13.7%	(81,735,841)
Restatement to Include Net OPEB Liability		(8,220,026)			
Net Position, Beginning of Year - Restated		(91,919,742)			
Net Position, End of Year	\$ (97,715,881)	\$ (95,180,628)	\$ (10,755,279)	11.3%	\$ (83,699,716)

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

UNION COUNTY UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Assets:		
Revenue Account:		
Cash and Cash Equivalents:		
Revenue	\$ 2,594,697	\$ 3,496,466
Unemployment Reserve	112,611	112,611
Environmental Investment Charge Reserve	3,315,279	3,313,901
Accounts Receivable	5,228,984	5,200,447
Lease Payments Receivable	705,202	705,181
Operating Account:		
Cash and Cash Equivalents	7,658,327	6,866,338
Bond Reserve Account:		
Cash and Cash Equivalents	6,827,736	7,303,114
Investments	18,148,052	17,083,805
Debt Service Account:		
Cash and Cash Equivalents	423	5
Working Capital Account:		
Cash and Cash Equivalents	2,487,490	2,487,089
Project Account:		
Cash and Cash Equivalents	7,299	7,298
Clearing Account:		
Cash and Cash Equivalents	6	6
	<hr/>	<hr/>
<u>Total Assets</u>	<u>47,086,106</u>	<u>46,576,261</u>
Fixed 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	40,026	40,026
	<hr/>	<hr/>
	244,918,818	244,918,818
Less: Accumulated Depreciation	199,574,443	193,062,080
	<hr/>	<hr/>
<u>Net Fixed Assets</u>	<u>45,344,375</u>	<u>51,856,738</u>
Deferred Outflows:		
Pension Related	411,790	475,360
OPEB Related	1,864,530	1,062,436
Premiums on Debt	742,469	816,716
	<hr/>	<hr/>
	3,018,789	2,354,512
	<hr/>	<hr/>
<u>Total Other Assets</u>	<u>3,018,789</u>	<u>2,354,512</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 95,449,270</u>	<u>\$ 100,787,511</u>

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

UNION COUNTY UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

<u>LIABILITIES AND NET POSITION</u>	<u>2021</u>	<u>2020</u>
Current Liabilities:		
Accounts Payable - Operating	\$ 3,291,418	\$ 3,188,284
Deposits Payable	403,787	360,170
Accrued Interest Payable on Project Bonds	599,888	610,473
Accrued Expenses	245,300	248,660
Deferred Rent	2,894,581	2,730,738
Project Bonds Payable - Current Maturities	4,345,000	4,185,000
	<hr/>	<hr/>
<u>Total Current Liabilities</u>	11,779,974	11,323,325
Long-Term Liabilities Payable from Restricted Assets:		
Project Bonds Payable	166,295,000	170,640,000
Net Pension Liability	1,717,147	2,201,226
Net OPEB Liability	10,863,610	9,282,462
	<hr/>	<hr/>
<u>Total Liabilities</u>	190,655,731	193,447,013
Deferred Inflows:		
Pension Related	1,075,950	944,309
Deferred Gain on Refunding	1,433,470	1,576,817
	<hr/>	<hr/>
	2,509,420	2,521,126
Net Position:		
Net Investment in Capital Assets	(125,295,625)	(122,968,262)
Restricted		
Bond Reserve Account	24,975,788	24,386,919
Debt Service Account	423	5
Working Capital Account	2,487,490	2,487,089
Project Account	7,299	7,298
Clearing Account	6	6
Unrestricted	108,738	906,317
	<hr/>	<hr/>
Total Net Position	(97,715,881)	(95,180,628)
	<hr/>	<hr/>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u> <u>AND NET POSITION</u>	<u>\$ 95,449,270</u>	<u>\$ 100,787,511</u>

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

UNION COUNTY UTILITIES AUTHORITY

STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Facility Lease Revenue	\$ 9,500,000	\$ 9,500,000
Tipping Fees-Resource Recovery	17,235,359	15,938,488
Miscellaneous Income	168,348	166,476
Program EIC	8,455,860	7,576,733
Program Tipping Fees	9,709,239	8,452,733
	<hr/>	<hr/>
<u>Total Operating Revenues</u>	45,068,806	41,634,430
	<hr/>	<hr/>
Cost of Providing Services:		
Operating Expenses	30,683,749	28,038,697
Depreciation	6,512,363	6,519,457
	<hr/>	<hr/>
<u>Total Operating Expenses</u>	37,196,112	34,558,154
	<hr/>	<hr/>
Operating Income	7,872,694	7,076,276
	<hr/>	<hr/>
Non Operating Revenues (Expenses):		
Interest Income	883,406	536,532
Unrealized Gain (Loss) on Investments	184,721	173,032
Rahway Host Fee	(1,788,955)	(1,765,553)
County of Union	(500,000)	(500,000)
Pension Related	277,824	37,234
OPEB Related	(779,054)	
Interest Expense	(8,685,889)	(8,818,407)
	<hr/>	<hr/>
Change in Net Position	(2,535,253)	(3,260,886)
	<hr/>	<hr/>
Net Position, Beginning of Year	(95,180,628)	(83,699,716)
	<hr/>	<hr/>
Restatement to Include Net OPEB Liability		(8,220,026)
	<hr/>	<hr/>
Net Position, Beginning of Year - Restated		(91,919,742)
	<hr/>	<hr/>
Net Position, End of Year	\$ (97,715,881)	\$ (95,180,628)
	<hr/>	<hr/>

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

UNION COUNTY UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE YEARS
ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Facility Lease	\$ 9,500,000	\$ 9,500,000
Receipts for Tipping Fees	35,371,921	32,745,256
Miscellaneous Receipts	168,327	166,428
Payments to Suppliers	(28,996,745)	(26,629,797)
Payments to Employees	<u>(1,533,746)</u>	<u>(1,351,561)</u>
Net Cash Provided by Operating Activities	<u>14,509,757</u>	<u>14,430,326</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Principal Payments on Long-Term Debt	(4,185,000)	(4,050,000)
Rahway Host Fee	(1,788,954)	(1,765,553)
County of Union	(500,000)	(500,000)
Interest Accrued on Deferred/Prepaid Rent Reserve	163,844	154,570
Interest Paid on Bonds	<u>(8,601,906)</u>	<u>(8,741,952)</u>
Net Cash Used in Capital and Financing Activities	<u>(14,912,016)</u>	<u>(14,902,935)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	883,406	536,532
Unrealized/Realized Loss (Gain) on Investments	(184,581)	(248,929)
Purchase (Sale) of Investments	<u>(879,526)</u>	<u>(482,110)</u>
Net Cash Provided (Used) by Investing Activities	<u>(180,701)</u>	<u>(194,507)</u>
Change in Cash and Cash Equivalents	(582,960)	(667,116)
Cash and Cash Equivalents, Beginning of Year	<u>23,586,828</u>	<u>24,253,944</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,003,868</u>	<u>\$ 23,586,828</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income:	\$ 7,872,694	\$ 7,076,276
Depreciation	6,512,363	6,519,457
Deferred/Prepaid Rent Reserve	163,844	175,895
Deferred Gain on Refunding	(143,347)	(143,347)
Premium and Costs on Issuance of Debt	74,247	74,247
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(28,558)	777,254
Deposit on Landfill		
Accounts Payable	18,257	(128,633)
Deposits Payable	43,617	103,853
Accrued Expenses	<u>(3,360)</u>	<u>(24,676)</u>
Net Cash Provided by Operating Activities	<u>\$ 14,509,757</u>	<u>\$ 14,430,326</u>

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(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 and service fees from the dumping of residual ash.

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>2021</u>	<u>2020</u>
2011A Facility Lease	\$6,550,079	\$5,835,709
2011B Facility Lease	1,449,921	2,164,291
Lease Extension Payment	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$9,500,000</u>	<u>\$9,500,000</u>

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.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(1) GENERAL (CONTINUED)

Waste Disposal Agreement

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

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

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

Local Waste Agreements

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

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

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

(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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Authority's financial statements include the operations and management of the solid waste management plan for which the Union County Utilities Authority has financial accountability. The Board members are appointed to five-year terms by The Board of County Commissioners. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An enterprise fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate the unfunded net pension liability of Public Employees Retirement System (PERS) of the participating employers as of December 31, 2021. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

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

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

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

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

Under GAAP, authorities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has three items that qualifies for reporting in this category, deferred amounts related to pensions, OPEB and premium and costs on issuance of debt.

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

Cash and Cash Equivalents

Cash equivalents are stated at cost which approximates market. The Authority considers all monies in banks and highly liquid investments with maturity dates of less than three months to be cash equivalents.

Investments

Investments in marketable securities and debt securities in the statement of financial position are valued at their fair values based on quoted market prices or prices which are provided by investment managers that are obtained from independent sources they believe to be reliable. Realized and unrealized gains and losses are included in the statement of activities.

Inventory

Inventory of supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net assets.

Accounts Receivable

The Authority has determined that substantially all amounts recorded as tipping fees accounts receivable will be collected and, accordingly, a provision for bad debts is not necessary.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Based upon the Authority's policies regarding compensated absences, there was an accrued liability of \$110,913 and \$117,155 at December 31, 2021 and 2020, respectively.

Income Taxes

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

Fixed Assets

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

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

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

	<u>2021</u>	<u>2020</u>
Land	\$ 3,610,128	\$ 3,610,128
Resource Recovery Facility	240,878,951	240,878,951
Vehicles	214,450	214,450
Equipment	175,263	175,263
Furniture and Fixtures	<u>40,026</u>	<u>40,026</u>
	244,918,818	244,918,818
Less: Accumulated Depreciation	<u>199,574,443</u>	<u>193,062,080</u>
Net Fixed Assets	<u>\$ 45,344,375</u>	<u>\$ 51,856,738</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

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

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

Restricted Assets

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

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

(3) BUDGETARY PROCEDURES

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

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director (Director) prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

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

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

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

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(3) BUDGETARY PROCEDURES (CONTINUED)

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

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

(4) SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid in the years ended December 31, 2021 and 2020, amounted to \$8,601,906 and \$8,741,952, respectively.

(5) SOLID WASTE BONDS

In 1998, the Authority issued \$323,727,990.00 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 \$228,985,000.00 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:

2022	\$ 4,345,000
2023	4,545,000
2024	4,765,000
2025	4,990,000
2025	4,830,000
Thereafter	<u>147,165,000</u>
Total	170,640,000
Less: Current Portion	<u>4,345,000</u>
Long Term Portion	<u>\$166,295,000</u>

Interest expense incurred for the year ended December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
2011 Facility Lease Revenue Bonds	\$6,017,177	\$6,103,932
2011 Solid Waste System Bonds	<u>2,584,729</u>	<u>2,559,939</u>
	<u>\$8,601,906</u>	<u>\$8,663,871</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(6) ADVANCE REFUNDINGS – 1998 AND 2011

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

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

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

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

(7) NET POSITION

The components of net position are as follows:

	<u>2021</u>	<u>2020</u>
Net Position:		
Net Investment in Capital Assets	(\$125,295,625)	(\$122,968,262)
Restricted:		
Bond Reserves	24,975,788	24,386,918
Other Assets	<u>2,495,219</u>	<u>2,494,399</u>
Total Restricted	<u>27,471,007</u>	<u>26,881,317</u>
Unrestricted:		
Operating	11,574,002	11,870,351
Net Pension Liability	(2,466,184)	(2,744,008)
Net OPEB Liability	<u>(8,999,080)</u>	<u>(8,220,026)</u>
Total Unrestricted	<u>108,738</u>	<u>906,317</u>
Total Net Position	<u>(\$97,715,880)</u>	<u>(\$95,180,627)</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(8) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

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

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit; in which case, benefits would begin the first day of the month after the member attains normal retirement age.

Vesting and Benefit Provisions (Continued)

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP. Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 7.5% of their base salary and employers contribute 3.0%.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2019, PERS provides for employee contributions of 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Certain portions of the cost are contributed by the employees. The Authority's share of pension costs, which is based upon the annual billings received from the State, amounted to December 31, 2021 and 2020, the Authority was required to contribute \$169,753 and \$147,665 respectively.

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

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

Public Employees Retirement System (PERS)

At June 30, 2021, the State reported a net pension liability of \$1,717,147 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the Authority's proportion was 0.0144949747 percent, which was an increase of 0.0009966376 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the State recognized an actuarially determined pension expense/(benefit) of (\$108,070) for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2021 billing was \$147,665.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 27,082	\$ 12,293
Changes of assumptions	9,943	611,315
Net difference between projected and actual earnings on pension plan investments		452,342
Changes in proportion and differences between Authority contributions and proportionate share of contributions	290,888	
Authority contributions subsequent to the measurement date	<u>84,877</u>	<u> </u>
	<u>\$411,790</u>	<u>\$1,075,950</u>

The \$84,877 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the year ending June 30, 2021, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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

Public Employees Retirement System (PERS) (Continued)

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

Year Ended	
<u>June 30</u>	<u>Amount</u>
2022	\$(346,994)
2023	(231,115)
2024	(139,070)
2025	(90,095)
2026	<u>58,237</u>
	<u>\$(479,037)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following assumptions:

	<u>June 30, 2021</u>
Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	
Through 2026	2.00-6.00%
	based on years of service
Thereafter	3.00-7.00%
	based on years of service
Investment Rate of Return	7.00%

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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 is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 (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 weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasury's	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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

Public Employees Retirement System (PERS) (Continued)

Sensitivity of the Authority's proportionate share of net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2021 respectively, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the 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:

	June 30, 2021		
	1% Decrease <u>6.00%</u>	At Current Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the net pension liability	\$2,345,028	\$1,717,147	\$1,184,300

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

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

Plan Description and Benefits Provided

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

Contributions

The Authority's contributions to the plan for the years ended December 31, 2021 and 2020 were \$42,122 and \$20,292, respectively, which equaled the required contributions for each year.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Eligibility

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

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

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

Employees Covered by Benefits Terms

Inactive employees or beneficiaries currently receiving benefits payments	4
Inactive employees entitled to but not currently receiving benefits payments	-0-
Active employees	<u>16</u>
	<u>20</u>

Contributions

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

Retirees and their dependents are required to contribute toward the cost of the postretirement medical, prescription drug, dental and vision coverage in accordance with the provisions set forth under Chapter 78. An employee who retires after satisfying the eligibility requirements who had less than 20 years of PERS service as of June 28, 2011, shall be required to contribute toward the cost of postretirement healthcare benefits. The retirement contributions are based on a percentage of the postretirement healthcare cost and vary based on coverage tier and amount of PERS pension amounts based on tables presented in the Authority's plan document, ranging from 3.5% to 35%.

Net OPEB Liability

The Authority's total Net OPEB liability of \$10,863,610 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Dates	12/31/20, 21
Valuation Dates	12/31/20
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	2.00% for FYE 2021 2.75% for FYE 2020 3.72% for FYE 2019
Medical Trend	
Starting (2021)	6.00%
Ultimate	3.50%
Year of Ultimate Trend	2026
Mortality	PUB 2012 projected to 2025 using Scale MP20

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2020 – December 31, 2020.

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 June 30, 2020 (2.00%) and June 30, 2019 (2.75%) were based on Muni 20 year Aa as published by Fidelity Investments.

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Changes in the Net OPEB Liability

	<u>Net OPEB Liability</u>
Balance at 12/31/20	\$9,282,462
Changes for the year:	
Service cost	246,491
Interest Cost	253,265
Differences between expected and actual experience	- 0 -
Changes in assumptions or other inputs	1,217,497
Contributions - Employer	
Net Investment Income	
Benefit payments	(136,105)
Net change in OPEB Liability	1,581,148
Balance at 12/31/21	\$10,863,610

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

For the year ended December 31, 2021 the actuarially determined OPEB expense reflected in the Plan was \$915,159. The OPEB expense recognized in the Authority's financial statement based on actual billing was \$42,122.

At December 31, 2021, 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>
Changes of assumptions	\$1,864,530	\$- 0 -
Net difference between projected and actual earnings on OPEB plan investments	- 0 -	- 0 -
Difference between expected and actual experience	- 0 -	- 0 -
	\$1,864,530	\$- 0 -

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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

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

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2021	\$415,403
2022	415,403
2023	415,403
2024	415,403
2025	202,917
Thereafter	-0-
	<u>\$1,864,530</u>

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

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

	<u>December 31, 2021</u>		
	<u>1.00%</u> <u>Decrease</u>	<u>At Discount</u> <u>Rate (2.00)</u>	<u>1.00%</u> <u>Increase</u>
Net OPEB Liability	\$12,968,626	\$10,863,610	\$9,222,742

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

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

	<u>December 31, 2021</u>		
	<u>1.00%</u> <u>Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rate</u>	<u>1.00%</u> <u>Increase</u>
Net OPEB Liability	\$9,405,335	\$10,863,610	\$12,595,137

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the Union County Postretirement Healthcare Plan. The report may be obtained through the Union County Finance Department at 10 Elizabethtown Plaza, Elizabeth N.J. 07207.

(11) CASH AND INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents - Restricted	<u>\$23,003,868</u>	<u>\$23,586,828</u>

Deposits

New Jersey statutes require that authorities deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depositor insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(11) CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

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

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

	<u>2021</u>	<u>2020</u>
U.S. Government Agency Bonds and Corporate Bonds	<u>\$18,148,052</u>	<u>\$17,083,805</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(11) CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2021, 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.

(12) FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ending December 31:

	<u>BALANCE</u> <u>JANUARY 1, 2021</u>	<u>ADDITIONS</u> <u>(DISPOSALS)</u>	<u>BALANCE</u> <u>DECEMBER 31, 2021</u>
Fixed 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	<u>40,026</u>	<u> </u>	<u>40,026</u>
	244,918,818		244,918,818
Less: Accumulated Depreciation	<u>193,062,080</u>	<u>\$6,512,363</u>	<u>199,574,443</u>
Net Fixed Assets	<u>\$ 51,856,738</u>	<u>\$6,512,363</u>	<u>\$ 45,344,375</u>

UNION COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(13) RISK MANAGEMENT

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

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

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

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

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

(14) SUBSEQUENT EVENTS

The Authority evaluated subsequent events occurring after the financial statement date through July 23, 2022, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

(15) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At December 31, 2021, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

SUPPLEMENTARY INFORMATION

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM LAST TEN YEARS

<u>Fiscal Year Ending June 30,</u>	<u>Authority's Proportion Share of the Net Pension Liability (Asset)</u>	<u>Authority's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Authority's Covered Employee Payroll</u>	<u>Authority's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a percentage of the total Pension Liability</u>
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%

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

PUBLIC EMPLOYEES RETIREMENT SYSTEM LAST TEN YEARS

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

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

UNION COUNTY UTILITIES AUTHORITY

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

NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2021

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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.

UNION COUNTY UTILITIES AUTHORITY

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

<u>Fiscal Year</u> <u>Ending</u> <u>December 31,</u>	<u>Authority's Share</u> <u>of the Net OPEB</u> <u>Liability</u>	<u>Authority's Share</u> <u>of the Net OPEB</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>Authority's</u> <u>Net OPEB</u> <u>Liability (Asset)</u> <u>as a percentage</u> <u>of it's Covered-</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a percentage</u> <u>of the total</u> <u>OPEB Liability</u>
2019	100.00%	\$ 7,662,563	\$ 987,239	776.16%	100.00%
2020	100.00%	\$ 9,282,462	\$ 1,059,164	876.40%	100.00%
2021	100.00%	\$ 10,863,610	\$ 1,208,962	898.59%	100.00%

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 EMPLOYEE PLAN
LAST TEN YEARS

<u>Fiscal Year Ending December 31,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Authority's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2019	\$ 38,612	\$ 38,612	\$ -0-	987,239	3.91%
2020	\$ 20,292	\$ 20,292	\$ -0-	1,059,164	1.92%
2021	\$ 42,122	\$ 42,122	\$ -0-	1,208,962	3.48%

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

UNION COUNTY UTILITIES AUTHORITY

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

NOTE TO RSI III

FOR THE YEAR ENDED DECEMBER 31, 2021.

UNION COUNTY POSTRETIREMENT HEALTHCARE PLAN

Change in benefit terms

None

Change in assumptions

The discount rate changed from 2.75% to 2.00% as of December 31, 2021.

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED
BY OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 BUDGET	2021 ACTUAL	2020 ACTUAL
REVENUE			
Tipping Fees: Resource Recovery Facility	\$ 14,172,850	\$ 17,235,359.04	\$ 15,938,488
Program Waste	24,365,200	18,165,098.92	16,029,466
Reserve Operating Fund			
Other	3,702,280	9,500,057.00	9,500,000
	<u>42,240,330</u>	<u>44,900,514.96</u>	<u>41,467,954</u>
Interest Income	15,000	883,406.39	536,532
Miscellaneous Income		168,290.88	166,476
	<u>15,000</u>	<u>1,051,697.27</u>	<u>703,008</u>
TOTAL REVENUE	<u>\$ 42,255,330</u>	<u>\$ 45,952,212</u>	<u>\$ 42,170,962</u>
APPROPRIATIONS			
Administration:			
Salaries and Wages	\$ 1,198,866	\$ 1,380,709.59	\$ 1,237,447
Fringe Benefits	270,351	458,297.13	136,517
Pension Assessment (PERS)	125,000	156,038.27	136,459
	<u>1,594,217</u>	<u>1,995,044.99</u>	<u>1,510,423</u>
Other Expenses:			
Accounting	31,000	32,000.00	32,900
ADP Processing Fees	22,100	15,791.53	15,880
Advertising	2,000	1,301.55	1,646
Auto Gas, Repairs and Maintenance	13,000	7,379.70	6,466
Trustee Fees	6,000	6,000.00	6,000
Bank Fees	1,000	1,321.86	457
Computer Consultant	125,000	43,305.82	61,934
Oversite Services - County of Union	142,000	153,928.82	465,432
Dues and Subscriptions	6,500	6,832.93	2,772
Financial Consultant	12,000	9,545.00	24,376
Host Community Fee	2,800,000	1,788,954.55	1,765,553
General Counsel	325,000	63,367.58	85,605
Engineering	145,000	87,678.79	120,214
Insurance	44,000	36,535.47	42,310
Insurance Consultant	1,000	1,000.00	1,000
Miscellaneous Office Expense	35,000	5,910.93	49,384
Office Equipment, Copiers and Pagers	13,000	8,665.94	52,774
Office, Park and Property Maintenance	20,000	21,267.28	23,647
Permits and Fees	75,000	79,919.89	1,523
Postage and Delivery	5,000	4,278.54	3,135
Printing and Office Supplies	3,000	8,106.82	6,466
Public Relations	6,000	-	-
Safety and First Aid Equipment	2,400	-	-
Landfill Disposal Costs	-	-	-
Service Fee - Covanta	13,031,400	9,754,982.40	8,400,379
Service Fee - Covanta - Program 10	10,566,000	15,594,727.95	14,493,846
Service Fee - Covanta - NJMC Type 13	5,758,000	-	-
Tipping Fee Reimbursement to Towns	2,100,000	2,709,851.83	2,595,523
Deferred Rent - Covanta	-	163,844.26	154,570
Interlocal Agreement - County of Union	1,000,000	500,000.00	500,000
Telephone	22,000	13,227.91	12,133
Utilities	-	10,392.02	10,023
Travel, Seminars, and Conferences	6,000	1,920.78	614
Uniforms and Equipment	7,000	9,272.35	11,104
UCUA Meetings	3,000	190.56	732
Total Other Expenses	<u>36,328,400</u>	<u>31,141,503</u>	<u>28,948,398</u>
Total Expenses	<u>37,922,617</u>	<u>33,136,548</u>	<u>30,458,821</u>
Issuance of Debt			
Principal Payments on Debt Service in Lieu of Depreciation	1,630,000	4,185,000	4,050,000
TOTAL OPERATING APPROPRIATIONS	<u>39,552,617</u>	<u>37,321,548</u>	<u>34,508,821</u>
Non Operating Appropriations:			
Interest Expense	2,702,713	8,685,889	8,818,407
Unreserved Retained Earnings Utilized			
Total Non Operating Appropriations	<u>2,702,713</u>	<u>8,685,889</u>	<u>8,818,407</u>
TOTAL COST FUNDED BY OPERATIONS	<u>\$ 42,255,330</u>	<u>\$ 46,007,437</u>	<u>\$ 43,327,228</u>

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - DECEMBER 31, 2021

2011 RESOURCE RECOVERY FACILITY LEASE REVENUE BONDS, SERIES A

<u>YEAR OF MATURITY</u>	<u>SERIES A INTEREST RATE</u>	<u>PRINCIPAL</u>
2022	3.31%	\$ 2,540,000
2023	3.31%	2,670,000
2024	3.31%	2,810,000
2025	3.31%	2,950,000
2026	3.31%	2,700,000
2027	3.31%	4,550,000
2028	3.31%	4,750,000
2029	3.31%	4,950,000
2030	3.31%	5,150,000
2031	3.31%	82,100,000
		<hr/>
	<u>TOTAL BONDS PAYABLE</u>	<u>\$ 115,170,000</u>

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

SCHEDULE 2
SHEET #2

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - DECEMBER 31, 2021

2011A SOLID WASTE SYSTEM BONDS

<u>YEAR OF MATURITY</u>	<u>SERIES A INTEREST RATE</u>	<u>PRINCIPAL</u>
2022		
2023		
2024		
2025		
2026	4.00%	\$ 1,580,000
2027	4.00%	2,220,000
2028	4.00%	2,310,000
2029	4.00%	2,400,000
2030	4.00%	2,495,000
2031	4.00%	2,595,000
2032	4.00%	2,700,000
2033	5.00%	2,805,000
2034	5.00%	2,945,000
2035	5.00%	3,095,000
2036	5.00%	3,250,000
2037	5.00%	3,410,000
2038	5.00%	3,585,000
2039	5.00%	3,760,000
2040	5.00%	3,950,000
2041	5.00%	4,145,000
		<hr/>
	<u>TOTAL BONDS PAYABLE</u>	<u>\$ 47,245,000</u>

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

UNION COUNTY UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - DECEMBER 31, 2021

2011B SOLID WASTE SYSTEM BONDS

<u>YEAR OF MATURITY</u>	<u>SERIES B INTEREST RATE</u>	<u>PRINCIPAL</u>
2022	3.92%	\$ 1,805,000
2023	4.23%	1,875,000
2024	4.33%	1,955,000
2025	4.53%	2,040,000
2026	4.74%	550,000
		<hr/>
	<u>TOTAL BONDS PAYABLE</u>	<u>\$ 8,225,000</u>

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

UNION COUNTY UTILITIES AUTHORITY

DECEMBER 31, 2021

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

