

ESSEX COUNTY UTILITIES AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES**

DECEMBER 31, 2023 AND 2022

(With Independent Auditors' Report)

ESSEX COUNTY UTILITIES AUTHORITY

DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 10
Financial Statements:	
Statements of Net Position	11 - 12
Statements of Revenues, Expenditures, and Changes in Net Position	13
Statements of Cash Flows - Unrestricted and Restricted Funds	14 - 15
Notes to Financial Statements	16 - 25
Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual	26
Schedule of Expenditures of State Financial Assistance	27
Independent Auditors' 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	28 - 29
Schedule of Findings, Questioned Costs, and Recommendations	30
Status of Prior Year Findings	31
Roster of Officials for 2023	32

INDEPENDENT AUDITORS' REPORT

The Honorable Chairman and
Authority Commissioners
Essex County Utilities Authority
Newark, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund, of the Essex County Utilities Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Essex County Utilities Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Essex County Utilities Authority, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Essex 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 opinions.

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 Essex County Utilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Essex County Utilities Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Essex 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.

Report on Summarized Comparative Information

We have previously audited Essex County Utilities Authority's 2022 financial statements and our report dated, April 27, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and page 26 be 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.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex County Utilities Authority's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance on page 27 is presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08, and is not a required part of the basic financial statements. The Schedule of Expenditures of State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2024, on our consideration of the Essex 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 the effectiveness of the Essex County Utilities Authority's 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 Essex County Utilities Authority's internal control over financial reporting and compliance.

Bederson LLP

Fairfield, New Jersey
April 15, 2024



ESSEX COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Essex County Utilities Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2023 and 2022. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial statement presents the Authority's financial activities and position in three (3) parts. They include the management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

BASIC FINANCIAL STATEMENTS

The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts and cash payments and net changes in cash resulting from operations, investing activities and capital and related financing activities.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements, such as the Authority's accounting methods and policies.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenditures, and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those positions. The reader can think of the Authority's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating, population growth, development, contractual requirements and new or changed government regulation. Our activity consists of Enterprise funds segregated by type, Water and Solid Waste.

ESSEX COUNTY UTILITIES AUTHORITY'S NET POSITION

A summary of the Authority's Statement of Net Position combined for Solid Waste and Water Systems is presented in the following table:

CONDENSED STATEMENT OF NET POSITION (\$000's)

	2023	2022	Change
Assets:			
Unrestricted	\$ 19,364	\$ 16,953	\$ 2,411
Restricted	5,305	5,085	220
Net capital assets	<u>22,373</u>	<u>24,768</u>	<u>(2,395)</u>
Total Assets	<u>47,042</u>	<u>46,806</u>	<u>236</u>
Liabilities:			
Long-term liabilities	735	848	(113)
Current liabilities	<u>8,910</u>	<u>8,712</u>	<u>198</u>
Total Liabilities	<u>9,645</u>	<u>9,560</u>	<u>85</u>
Net Position:			
Invested in capital assets, net of related debt	27,677	29,853	(2,176)
Unassigned	<u>9,720</u>	<u>7,393</u>	<u>2,327</u>
Total Net Position	<u>\$ 37,397</u>	<u>\$ 37,246</u>	<u>\$ 151</u>

CURRENT ASSETS

Unrestricted cash and cash equivalents were \$15.7 million at December 31, 2023, compared to the 2022 balance of \$12.9 million. Restricted cash was \$5.3 million at December 31, 2023, compared to the 2022 balance of \$5.1 million.

Accounts Receivable decreased by approximately \$412,000 or 10% in 2023, as compared to an increase of approximately \$386,000 or 10% in 2022. The 2023 decrease is the result of more collections from municipalities.

NON-CURRENT ASSETS

The value of the non-current assets decreased by approximately \$2.4 million in 2023, which is comprised of an approximate decrease of \$809,000 in contractual rights, a decrease of \$1.5 million in net deferred charges, and a decrease of \$111,000 in the operating lease right of use asset. The value of the non-current assets decreased by approximately \$1.4 million in 2022, which is comprised of an approximate decrease of \$809,000 in contractual rights, a decrease of \$1.5 million in net deferred charges and an increase of \$1 million in operating lease right of use asset per the adoption of GASB 87. The decreases for 2023 and 2022 are the result of depreciation and amortization expenses, which reduce the net book value of these assets.

ESSEX COUNTY UTILITIES AUTHORITY'S NET POSITION

CAPITAL ASSETS (\$000's)

	2023	2022	Change
Water system infrastructure	\$ 6,051	\$ 6,051	\$ -
Computer system, furniture and fixtures	463	463	-
Transportation equipment	22	22	-
Total	<u>6,536</u>	<u>6,536</u>	-
Less: Depreciation	<u>6,536</u>	<u>6,535</u>	<u>1</u>
Net Property, Plant and Equipment	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>
Contractual rights - operating	\$ 13,473	\$ 13,473	\$ -
Asset purchase	16,500	16,500	-
Port Authority settlement	17,447	17,447	-
Procurement of system	2,275	2,275	-
Litigation settlements	23,573	23,573	-
Water system development	677	677	-
Total	<u>73,945</u>	<u>73,945</u>	-
Less: Amortization	<u>59,249</u>	<u>57,775</u>	<u>1,474</u>
Net Deferred Charges	<u>\$ 14,696</u>	<u>\$ 16,170</u>	<u>\$ (1,474)</u>
Contractual rights - non-operating	\$ 35,322	\$ 35,322	\$ -
Less: Amortization	<u>28,493</u>	<u>27,684</u>	<u>809</u>
Net Contractual Rights	<u>\$ 6,829</u>	<u>\$ 7,638</u>	<u>\$ (809)</u>
Operating lease right-of-use asset	<u>\$ 848</u>	<u>\$ 959</u>	<u>\$ (111)</u>

CURRENT LIABILITIES

Current liabilities are obligations that will be paid in the next 12 months after the balance sheet date. Current liabilities payable from unrestricted assets increased by approximately \$198,000 or 2% in 2023, and decreased by approximately \$317,000 or 4% in 2022. The 2023 increase is primarily due to an increase in payables for the disposal of waste tons as there was an increase in waste tons. The 2022 decrease is primarily due to the decrease of the payroll and benefits liability due to Essex County. The overall 2023 current liabilities payable from unrestricted assets were comparable to 2022.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by approximately \$113,000 in 2023 and increased by approximately \$850,000 in 2022. This is the result of the operating lease liability per the adoption of GASB 87.

ESSEX COUNTY UTILITIES AUTHORITY'S CHANGES IN NET POSITION

A summary of the Authority's Statement of Revenues, Expenses, and Changes in Net Position combined for Solid Waste and Water Systems is presented in the following table:

Condensed Statement of Revenues, Expenditures, and Changes in Net Position (\$000's)

	2023	2022	Change
Operating revenues	\$ 52,751	\$ 50,925	\$ 1,826
Non-operating revenues	1,422	793	629
Total Revenues	54,173	51,718	2,455
Operating expense	51,738	46,604	5,134
Depreciation and amortization expense	1,475	1,512	(37)
Non-operating expense	809	989	(180)
Total Expenses	54,022	49,105	4,917
Changes in Net Position	151	2,613	(2,462)
Net Position - beginning of year	37,246	34,633	2,613
Net Position - end of year	\$ 37,397	\$ 37,246	\$ 151

While the Statement of Net Position shows the change in financial position, the Statements of Revenues, Expenditures, and Changes in Net Position provides answers as to the nature and source of these changes.

OPERATING REVENUES

The Authority's operating revenues increased by \$1.826 million to \$52.751 million in 2023. Overall waste tonnage increased in 2023, and in total was approximately 8.81% greater than 2022. The increase in operating revenues was due to the increase in the waste tons collected for Type 13 Bulk waste and Type 10 commercial and municipal waste. Overall for 2023, approximately 62% of total waste tons collected were dumped at the Resource Recovery Facility.

OPERATING EXPENSES

Total operating expenses, including depreciation and amortization, increased by \$5.097 million to \$53.213 million in 2023. The increase is primarily due to an increase in the gate fees charged by the waste processing facilities and an increase in waste tons from 2022 to 2023.

ESSEX COUNTY UTILITIES AUTHORITY'S CHANGES IN NET POSITION

NON-OPERATING INCOME AND EXPENSES

In 2023, total non-operating income increased by approximately \$629,000. The increase in non-operating income is primarily due to the increase in interest income. Non-operating expenses decreased by approximately \$180,000 in 2023, which is due to a decrease in interest expense attributable to the repayment of the scheduled maturities of the bonds payable.

The following table reflects the comparative solid waste collection in tons:

Source	2023 Tonnage	2022 Tonnage	Amount Increase (Decrease)	% Increase (Decrease)
Tipping Fee Revenue Type 10 Resource Recovery				
Subtotal	<u>415,739</u>	<u>395,368</u>	<u>20,371</u>	5.15%
Tipping Fee Revenue Type 13 Bulk Waste Transfer Station				
Subtotal	<u>211,552</u>	<u>178,138</u>	<u>33,414</u>	18.76%
Tipping Fee Revenue Commercial Type 10 Transfer Station				
Subtotal	<u>46,062</u>	<u>45,339</u>	<u>723</u>	1.59%
Total for all Facilities	<u>673,353</u>	<u>618,845</u>	<u>54,508</u>	<u>8.81%</u>

Essex County disposed of 673,353 tons of solid waste in 2023 at three (3) designated facilities compared to 618,845 tons in 2022, representing an increase of 54,508 tons. The increase in tons is the result of an increase in bulk waste from the increase in construction and demolition debris being dumped and an increase in the enforcement and compliance between the solid waste coordinator and the haulers.

NET POSITION

The Authority's net position as of December 31, 2023, is a surplus of approximately \$37.397 million. Total assets of \$47.042 million exceeded liabilities of \$9.645 million. In December 31, 2022, assets exceeded liabilities by approximately \$37.246 million. Therefore, in 2023 the Authority's net position increased by approximately \$151,000. This compares to an increase in net position of \$2.613 million in 2022.

ESSEX COUNTY UTILITIES AUTHORITY'S NET POSITION

BUDGETARY HIGHLIGHTS

The Authority prepares and submits an annual operating budget to the State of New Jersey, which approves the budgets for adoption by the Authority prior to the beginning of the fiscal year. The following table provides a 2023 combined budget to actual comparison for both solid waste and water systems:

2023 COMBINED BUDGET vs. ACTUAL			
(\$000's)			
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues	\$ 44,101	\$ 52,751	\$ 8,650
Other operating revenue	-	-	-
Non-operating revenues	542	1,422	880
Total Revenues	44,643	54,173	9,530
Operating Appropriations:			
Personnel and other	467	474	(7)
Administration and other	1,013	715	298
Cost of providing service:			
Solid waste	40,775	50,526	(9,751)
Water	18	23	(5)
Total Operating Appropriations	42,273	51,738	(9,465)
Non-Operating Appropriations:			
Debt service	-	-	-
Amortization/depreciation expense	2,370	2,284	86
Accumulated deficit - water	-	-	-
Total Non-Operating Appropriations	2,370	2,284	86
Total Operating and Non-Operating Appropriations	44,643	54,022	(9,379)
Deficit - Budgetary Basis	\$ -	\$ 151	\$ 151

The revenue excess of \$8.650 million against the annual budget is primarily the result of more tonnage in 2023 than budgeted.

The revenue needed to meet solid waste budget requirements is collected from solid waste tipping fees. Revenue needed for water budget requirements is collected from water service fees charged.

The excess in the solid waste operating expense is the result of more tonnage in 2023 than budgeted.

ESSEX COUNTY UTILITIES AUTHORITY'S NET POSITION

DEBT ADMINISTRATION

The Authority has, in the past, issued Bond Anticipation Notes to finance improvements and additions to the solid waste system. In April 2009, the Authority issued \$52,240,000 Solid Waste System Revenue Refunding Bonds (Series 2009) to refinance the \$53,340,000 Tax Exempt Series 1999A Solid Waste System Revenue Bonds at interest rates ranging from 2.5% to 5.0%.

The Authority has, in the past, issued Bond Anticipation Notes to finance improvements and additions to the water system. In November 2008, the Authority issued \$6,250,000 Water System Project Notes (Series 2008) to refinance the \$6,250,000 Water System Project Notes (Series 2007) at an interest rate of 2.59%. These notes matured on November 12, 2010, and were refinanced by the issuance of the \$6,250,000 Water System Project Notes (Series 2010). The Series 2010 notes matured on November 9, 2012, and were refinanced with another set of \$6,250,000 Water Project Notes (Series 2012). The Series 2012 notes bear interest at a rate of 2% and matured on November 7, 2014. The authority repaid principal of \$625,000 and refinanced the remaining \$5,625,000 with Series 2014 notes (Series 2014), which bear interest at 3% and mature on November 4, 2016. The authority repaid principal of \$1,125,000 and refinanced the remaining \$4,500,000 with Series 2016 notes (Series 2016), which bear interest at 2% and mature on November 2, 2018. In October 2018 the authority repaid principal of \$1,800,000 and refinanced the remaining \$2,700,000 with Series 2018 notes (Series 2018), which bear interest at 3% and mature on October 29, 2020. In October of 2020 the Series 2018 notes were paid in full.

The 2006 B series refunding bonds, the 2009 series refunding bonds, and the 2016 series refunding bonds were paid in full in 2022. More detailed information about the Authority's long-term debt liabilities is presented in Note 9 of the financial statements. The Authority's long-term debt decreased by \$8,340,000, resulting from scheduled maturities during the fiscal year, the maturities were as follows:

	<u>2023</u>	<u>2022</u>
Series 2006B - Taxable - Refunding Revenue Bonds	\$ -	\$ 1,185,000
Series 2009 - Tax Exempt - Refunding Revenue Bonds	-	5,855,000
Series 2016 - Tax Exempt - Refunding Revenue Bonds	-	1,300,000
	<u>\$ -</u>	<u>\$ 8,340,000</u>

ECONOMIC FACTORS, FUTURE YEARS' BUDGETS AND RATES

The Commissioners and management of the Authority consider many factors when preparing each year's budget and service charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments. In addition, the market conditions, disposal needs and available capacity are influential in the decision-making process.

The future fluctuations of the County's disposal needs will continue to challenge the Authority. Overall tonnage levels have increased from the prior years. The increase in tons is the result of an increase in bulk waste from the increase in construction and demolition debris being dumped and the diversion of waste from the Waste Management facility.

In connection with the normal conduct of the Authority's business, it could be from time to time involved in various claims and litigation, the results of which may result in positive or negative affects on the financial statements.

ESSEX COUNTY UTILITIES AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2023 AND 2022

ASSETS

DECEMBER 31, 2023

	<u>Solid Waste</u>	<u>Water</u>	<u>Total</u>	<u>2022 Total</u>
UNRESTRICTED ASSETS:				
Cash and equivalents	\$ 15,693,415	\$ 9,755	\$ 15,703,170	\$ 12,879,686
Accounts receivable	<u>3,661,084</u>	<u>-</u>	<u>3,661,084</u>	<u>4,072,900</u>
TOTAL UNRESTRICTED ASSETS	<u>19,354,499</u>	<u>9,755</u>	<u>19,364,254</u>	<u>16,952,586</u>
RESTRICTED ASSETS:				
Debt service account:				
Cash and investments	-	-	-	10,215
Deposits:				
Cash	<u>5,304,667</u>	<u>-</u>	<u>5,304,667</u>	<u>5,075,287</u>
TOTAL RESTRICTED ASSETS	<u>5,304,667</u>	<u>-</u>	<u>5,304,667</u>	<u>5,085,502</u>
NON-CURRENT ASSETS:				
Capital Assets:				
Property and equipment, net of depreciation	170	-	170	947
Operating lease right-of-use asset	847,699	-	847,699	959,010
Contractual rights, net of amortization	6,829,033	-	6,829,033	7,637,667
Deferred charges, net of amortization	<u>14,695,911</u>	<u>-</u>	<u>14,695,911</u>	<u>16,170,255</u>
TOTAL NON-CURRENT ASSETS	<u>22,372,813</u>	<u>-</u>	<u>22,372,813</u>	<u>24,767,879</u>
TOTAL ASSETS	<u>\$ 47,031,979</u>	<u>\$ 9,755</u>	<u>\$ 47,041,734</u>	<u>\$ 46,805,967</u>

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

ESSEX COUNTY UTILITIES AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION

	DECEMBER 31, 2023			2022 Total
	Solid Waste	Water	Total	
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:				
Accounts payable and accrued expenses	\$ 6,594,807	\$ 213,377	\$ 6,808,184	\$ 6,257,369
Due to Essex County for payroll and benefits	221,486	-	221,486	211,806
Current portion of operating lease liability	113,221	-	113,221	111,310
Prepaid tipping revenue	<u>1,767,284</u>	<u>-</u>	<u>1,767,284</u>	<u>2,131,903</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS	<u>8,696,798</u>	<u>213,377</u>	<u>8,910,175</u>	<u>8,712,388</u>
NON-CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:				
Operating lease liability, less current portion	<u>734,478</u>	<u>-</u>	<u>734,478</u>	<u>847,700</u>
TOTAL LIABILITIES	<u>9,431,276</u>	<u>213,377</u>	<u>9,644,653</u>	<u>9,560,088</u>
NET POSITION:				
Invested in capital assets, net of related debt	27,677,480	-	27,677,480	29,853,381
Unrestricted	<u>9,923,223</u>	<u>(203,622)</u>	<u>9,719,601</u>	<u>7,392,498</u>
TOTAL NET POSITION	<u>37,600,703</u>	<u>(203,622)</u>	<u>37,397,081</u>	<u>37,245,879</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 47,031,979</u>	<u>\$ 9,755</u>	<u>\$ 47,041,734</u>	<u>\$46,805,967</u>

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

ESSEX COUNTY UTILITIES AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	DECEMBER 31, 2023			2022 Total
	Solid Waste	Water	Total	
OPERATING REVENUES:				
User charges:				
Tipping fees	\$ 52,750,939	\$ -	\$ 52,750,939	\$ 50,915,161
Interest income	367	192	559	10,591
TOTAL OPERATING REVENUES	<u>52,751,306</u>	<u>192</u>	<u>52,751,498</u>	<u>50,925,752</u>
OPERATING EXPENSES:				
Administration	1,188,386	-	1,188,386	1,166,846
Operating and maintenance	50,526,208	23,405	50,549,613	45,437,348
Depreciation	977	-	977	1,978
Amortization	1,474,344	-	1,474,344	1,510,398
TOTAL OPERATING EXPENSES	<u>53,189,915</u>	<u>23,405</u>	<u>53,213,320</u>	<u>48,116,570</u>
OPERATING INCOME (LOSS)	<u>(438,609)</u>	<u>(23,213)</u>	<u>(461,822)</u>	<u>2,809,182</u>
NON-OPERATING REVENUE (EXPENSES):				
Interest income	811,526	-	811,526	186,838
Other income	610,133	-	610,133	606,030
Amortization of contractual rights	(808,635)	-	(808,635)	(808,635)
Interest expense	-	-	-	(180,045)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>613,024</u>	<u>-</u>	<u>613,024</u>	<u>(195,812)</u>
CHANGES IN NET POSITION	174,415	(23,213)	151,202	2,613,370
NET POSITION - beginning of year	<u>37,426,288</u>	<u>(180,409)</u>	<u>37,245,879</u>	<u>34,632,509</u>
NET POSITION - end of year	<u>\$ 37,600,703</u>	<u>\$ (203,622)</u>	<u>\$ 37,397,081</u>	<u>\$ 37,245,879</u>

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

ESSEX COUNTY UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS - UNRESTRICTED AND RESTRICTED FUNDS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	DECEMBER 31, 2023			2022 Total
	Solid Waste	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received (paid) from:				
Hauler's tipping fees	\$ 52,868,461	\$ -	\$ 52,868,461	\$ 37,993,234
Interest earned	367	192	559	10,591
Other	(70,321)	-	(70,321)	(541,471)
Payments to employees	(751,791)	-	(751,791)	(1,200,327)
Payments to suppliers	<u>(50,432,519)</u>	<u>6,801</u>	<u>(50,425,718)</u>	<u>(32,754,527)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,614,197</u>	<u>6,993</u>	<u>1,621,190</u>	<u>3,507,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Other revenue	610,133	-	610,133	606,030
Interest on investments	<u>811,526</u>	<u>-</u>	<u>811,526</u>	<u>186,838</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,421,659</u>	<u>-</u>	<u>1,421,659</u>	<u>792,868</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(200)	-	(200)	-
Principal payment on bonds	-	-	-	(8,340,000)
Interest paid on bonds, loans and notes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(251,882)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(200)</u>	<u>-</u>	<u>(200)</u>	<u>(8,591,882)</u>
NET CHANGE IN CASH AND EQUIVALENTS	3,035,656	6,993	3,042,649	(4,291,514)
CASH AND EQUIVALENTS - beginning	<u>17,962,426</u>	<u>2,762</u>	<u>17,965,188</u>	<u>22,256,702</u>
CASH AND EQUIVALENTS - ending	<u>\$ 20,998,082</u>	<u>\$ 9,755</u>	<u>\$ 21,007,837</u>	<u>\$ 17,965,188</u>

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

ESSEX COUNTY UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS - UNRESTRICTED AND RESTRICTED FUNDS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	DECEMBER 31, 2023			2022 Total
	Solid Waste	Water	Total	
RECONCILIATION TO STATEMENTS OF NET POSITION:				
Current assets	\$ 15,693,415	\$ 9,755	\$ 15,703,170	\$ 12,879,686
Restricted assets	<u>5,304,667</u>	<u>-</u>	<u>5,304,667</u>	<u>5,085,502</u>
	<u>\$ 20,998,082</u>	<u>\$ 9,755</u>	<u>\$ 21,007,837</u>	<u>\$ 17,965,188</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (438,609)	\$ (23,213)	\$ (461,822)	\$ 2,809,182
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	977	-	977	1,978
Amortization of deferred charges	1,474,344	-	1,474,344	1,510,398
(Increase) Decrease in:				
Accounts receivable	411,816	-	411,816	(386,027)
Increase (decrease) in:				
Accounts payable and accrued expenses	530,288	30,206	560,494	(399,266)
Prepaid tipping fees	<u>(364,619)</u>	<u>-</u>	<u>(364,619)</u>	<u>(28,765)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,614,197</u>	<u>\$ 6,993</u>	<u>\$ 1,621,190</u>	<u>\$ 3,507,500</u>

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

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 1 – GENERAL

Pursuant to the provisions of the Solid Waste Management Act, constituting Chapter 39 of the Pamphlet Laws of 1970, of the State of New Jersey and the rules and regulations promulgated thereunder, the County of Essex ("County") has been designated as a solid waste management district. In accordance with the provisions of the aforementioned act, a Solid Waste Management Plan was developed for the County of Essex which included a solid waste transfer station, waste-to-energy facility, out-of-state landfill disposal and miscellaneous recycling programs and activities. The County of Essex, Division of Solid Waste Management has heretofore managed the system which was funded by user charges, County budget appropriations and certain other County advances.

An ordinance adopted by the Board of Chosen Freeholders on July 1, 1992, effective July 22, 1992, created the Essex County Utilities Authority (the "Authority") under the provisions of N.J.S.A. 40:14B-1 et seq., 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 to provide waste management services previously managed and implemented by the County. It has the responsibility for the development and implementation of a program for the management, control and disposal of all solid waste generated within the geographic boundaries of the County in an environmentally sound manner. These activities are accounted for under the heading "Solid Waste."

The assumption of all services, liabilities and other contractual agreements by the Authority from the County of Essex was effective as of July 22, 1992.

The ordinance adopted July 1, 1992, creating the Authority was amended on October 8, 1997. The amendment determined that the Authority acquire, construct, maintain and operate the County of Essex existing wellfield and distribution system which serves the County. These activities are accounted for under the heading "Water".

For financial reporting purposes, the Authority is a component unit of the County of Essex, State of New Jersey. There are no component units included in the accompanying statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The term "measurement focus" is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of the focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction is recognized on the Authority's operating statement. The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

Contributions received from various sources as grants are recorded in the period received. Donated assets are recorded at fair market value at the date of the gift.

Pension Plan

Substantially all employees participate in the Public Employees' Retirement System (PERS). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the County of Essex who in turn charges the Authority annually for its respective contributions. The plan does not maintain separate records for each Authority in the State and, therefore, the actuarial data for the Authority is not available.

The plan provides retirement, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The plan is a cost sharing multiple employer defined benefit plan. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions. Currently, the PERS has suspended cost of living adjustments.

Covered employees are required by State Statute to contribute 7.50% of their salary to the plan. In addition, annually the PERS bills the County of Essex, and the County bills the Authority at an actuarially determinable rate for its required contribution.

The contribution requirements of plan members and the Authority are established and may be amended by the Board of Trustees of the plan. All required contributions were made.

Compensated Absences

The Authority permits employees to accrue unused vacation and sick pay, which may be taken as time off or paid upon retirement at an agreed upon rate. Accumulated vacation and the portion of sick leave eligible to be paid to employees upon retirement is not considered material and is expensed in the year of occurrence.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported at cost, less accumulated depreciation.

Depreciation is provided for property owned by the Authority using the straight-line method.

Depreciation expense was \$977 and \$1,978 in 2023 and 2022, respectively.

The cost of property, plant and equipment is depreciated over estimated useful lives ranging from 5 to 30 years.

ESSEX COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Solid Waste:				
Office equipment	\$ 287,891	\$ 200	\$ -	\$ 288,091
Computer equipment	174,457	-	-	174,457
Transportation equipment	<u>21,823</u>	<u>-</u>	<u>-</u>	<u>21,823</u>
Total	484,171	200	-	484,371
Less: Accumulated depreciation	<u>483,224</u>	<u>977</u>	<u>-</u>	<u>484,201</u>
Net Solid Waste	<u>\$ 947</u>	<u>\$ (777)</u>	<u>\$ -</u>	<u>\$ 170</u>
Water Infrastructure:				
Capital Assets being depreciated	\$ 6,051,531	\$ -	\$ -	\$ 6,051,531
Less: Accumulated depreciation	<u>6,051,531</u>	<u>-</u>	<u>-</u>	<u>6,051,531</u>
Net Water System	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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. Estimates are used for, but not limited to, depreciation and amortization expense, and contingencies. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers the highly liquid investments with original maturities of three (3) months or less when purchased to be cash equivalents.

Accounts Receivable

Receivables include amounts due from municipalities and private haulers for the transportation of solid waste. The Authority requires all private haulers to maintain a deposit with the Authority, these cash deposits are presented on the statement of net position as prepaid tipping fees. Municipalities approve these contracts and the yearly charge by adopting the amounts into their budgets, and setting up an encumbrance for those charges. Receivables are considered past due at 150 days. The Authority believes that an allowance for doubtful accounts is not necessary, due to the prepaid tipping fees by the private haulers, and the encumbrances of the charges by the municipalities. Historically, the management of the Authority has not written off any accounts receivable.

ESSEX COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

A net position deficit of \$(203,622) exists in the Water fund resulting from the depreciation of capital assets.

In 2011, the Authority internally designated \$545,000 of the proceeds received from the sale of the building in Verona to offset future repayments of its debt liabilities. The Authority's outstanding bond obligations matured in 2022.

Operating Revenues and Expenses

The Authority considers revenues from user charges and interest income to be operating revenues. Operating expenses include tipping fees and related charges, general and administrative expenses, and depreciation and amortization of deferred charges.

Spending Policy

The Authority has a revenue spending policy that provides policy for programs with multiple revenue sources. Expenditures will be spent from restricted funds first, followed by assigned, and then unassigned fund balances.

Funds are committed and assigned through formal approval from the Committee of Commissioners.

Reclassifications

Certain amounts reported for 2022 have been reclassified to conform to the 2023 presentation. Such reclassifications had no effect on the previously reported 2022 increase in net position.

Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 - Fair Value Measurements establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Hierarchy (Continued)

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Leases

The Authority calculates operating lease liabilities with a risk-free discount rate, using a comparable period with the lease term. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

Recent Accounting Pronouncements

Pursuant to paragraph 60 - 61 of GASB Statement No. 96 for disclosure requirements related to subscription-based information technology arrangements (SBITAs) government units should disclose in notes to financial statements the following information about its SBITAs (which may be grouped for purposes of disclosure) other than short-term SBITAs: A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined; the total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets; the amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability; the amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability; principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter and commitments under SBITAs before the commencement of the subscription term; the components of any loss associated with an impairment. The Essex County Utilities Authority reviewed all of their subscription-based information technology arrangements and determined that they are considered short-term and require no disclosure under GASB Statement No. 96.

Subsequent Events

The Authority has evaluated subsequent events through April 15, 2024, which is the date the financial statements were available to be issued.

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Financial Related Legal and Contractual Provisions

The management of the Authority is not aware of any material violations of finance related to legal and contractual provisions.

Legal Compliance - Budgets

New Jersey Budget Law requires that all funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. All appropriations lapse at the end of each fiscal year to the extent that they have not been expended or encumbered. Authorization to transfer budgeted amounts between programs and/or departments within any fund and reallocation of budget line items within any program and/or department rests with the Authority's Board of Commissioners.

The accompanying Statement of Revenues, Expenditures, and Changes in Net Position and the Schedule of Revenues and Expenditures - Budget and Actual have been prepared on a legally prescribed basis of accounting, which differs from GAAP. Note 15 "*Reconciliation of Budgetary Basis and GAAP*" has been prepared to identify these revenue and expenditure differences for governmental activities.

The Authority's budget is prepared for its funds on the modified accrual basis of accounting. Annual appropriated budgets are adopted for all general and enterprise type funds. Any material modification within the adopted budget cannot be made by Board of Commissioners without the Division of Local Government Services approval.

NOTE 4 - CASH AND CASH EQUIVALENTS

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal five (5%) percent of the average daily balance of public funds; or

If the public funds deposited exceed seventy-five (75%) percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred (100%) percent of the amount exceeding seventy-five (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. The Authority has complied with all statutes and regulations applicable to deposits and investments.

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2023 and 2022, cash and cash equivalents of the Authority consisted of the following:

	<u>2023</u>	<u>2022</u>
Money Market and Checking	<u>\$21,007,837</u>	<u>\$17,965,188</u>

The carrying amount of the Authority's cash and cash equivalents at December 31, 2023 and 2022, was \$21,007,837 and \$17,965,188, respectively. The bank balance at December 31, 2023 and 2022, was \$21,715,081 and \$18,339,414, respectively.

Cash equivalents include money market funds, cash management funds or certificates of deposit with maturity dates of less than three (3) months. Cash equivalents are stated at cost, which approximates market. Cash equivalents were held by the Authority's Trustee in the Authority's name.

NOTE 5 – RISK CONCENTRATIONS

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, an authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority does not have a policy for custodial credit risk. Federal depository insurance and New Jersey's Governmental Unit Deposit Protection Act mitigate this risk.

Interest Rate Risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentrations

The Authority's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity.

NOTE 6 - CONTRACTUAL RIGHTS

A resource recovery facility has been constructed by the Port Authority of New York and New Jersey and the American Ref Fuel Company for the purpose of disposal of solid waste. On February 28, 1986, the County of Essex executed an Amended and Restated County Service Contract.

The County of Essex contractually agreed to pay the Port Authority the sum of \$58,000,000 for the right to use the facility. An improvement authorization was adopted by the County of Essex on May 13, 1987, in the sum of \$48,000,000, which was funded by a loan obtained from the State of New Jersey, Department of Environmental Protection and Energy. Loan proceeds in the sum of \$40,000,000 were advanced to the Port Authority and the additional liability in the sum of \$18,000,000 was to be paid over a period of twenty-one (21) years, however as of December 31, 2005, the balance of this obligation has been fully liquidated.

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 6 - CONTRACTUAL RIGHTS (Continued)

The resulting contractual rights of \$35,322,213 are being amortized on a straight-line basis over a period of forty (40) years. Amortization charged to operations amounted to \$808,635 for the years ended December 31, 2023 and 2022. Accumulated amortization for the years ended December 31, 2023 and 2022, was \$28,493,181 and \$27,684,546, respectively.

NOTE 7 - DEFERRED CHARGES

Upon formation of the Essex County Utilities Authority, the County of Essex contributed certain assets with regard to its solid waste system with the intention at some future date to value those assets and have the Authority compensate the County. During 2003, the Authority made a payment of \$16,500,000 to the County of Essex for those assets. This payment amount will be amortized on a straight-line basis over a period of twenty-nine (29) years. Amortization charged to operations amounted to \$572,044 for the years ended December 31, 2023 and 2022. Accumulated amortization for the years ended December 31, 2023 and 2022, amounted to \$11,351,601 and \$10,779,557, respectively.

Deferred charges for the years ended December 31, 2023 and 2022, being amortized on the straight-line or weighed average basis, consist of the following:

	<u>2023</u>	<u>2022</u>	<u>Estimated Life</u>
Solid Waste:			
Prior excess costs in connection with			
Essex County and Port Authority	\$ 13,274,966	\$ 13,274,966	40 years
Asset purchase	16,500,000	16,500,000	29 years
Port Authority settlement	17,447,439	17,447,439	20 years
Procurement and other	2,274,693	2,274,693	Various
Litigation settlements	23,572,823	23,572,823	Various
Other	<u>198,088</u>	<u>198,088</u>	Various
Total	73,268,009	73,268,009	
Less: Accumulated amortization	<u>58,572,098</u>	<u>57,097,754</u>	
 Net Solid Waste	 <u>\$ 14,695,911</u>	 <u>\$ 16,170,255</u>	
 Water System:			
Deferred charges	\$ 677,359	\$ 677,359	Various
Less: Accumulated depreciation	<u>677,359</u>	<u>677,359</u>	
 Net Water System	 <u>\$ -</u>	 <u>\$ -</u>	

NOTE 8 - CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any audit resulting in disallowed costs may constitute a liability. The Authority is unaware of any such liabilities.

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 9 - OPERATING LEASE LIABILITY

On January 1, 2011, the Authority moved its administrative offices to Newark, New Jersey, and signed a twenty (20) year lease agreement with the County of Essex. Minimum annual rent under the lease is as follows: Years 1 - 10 \$43,200; Years 11 - 15 \$47,520, and Years 16 - 20 \$49,888. In addition to minimum rent, in year 1 of the lease, the Authority will pay annual rent of \$28,480 as a reimbursement for operating expenses and utilities related to the leased premise, and \$16,237 for the use of ten (10) parking spaces. The additional rent will increase at a rate of 3% per year commencing with the second year of the lease term.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2023:

Operating lease right-of-use assets	<u>\$847,699</u>
Operating lease liabilities	<u>\$847,699</u>

Total rent expense for the years ended December 31, 2023 and 2022, was \$111,470 and \$109,452, respectively.

Future minimum rent commitments for the years ending December 31, are as follows:

2024	113,221
2025	115,184
2026	119,568
2027	121,640
2028	123,797

NOTE 10 - COMMITMENTS

In August 2020, the Authority entered into a five (5) year agreement with Advanced Enterprises Recycling Inc., to dispose of Type 13 Bulky waste beginning January 1, 2021.

In January 2021, the Authority renewed its contract with Waste Management of New Jersey, Inc. to use their facility to dispose of Type 10 commercial waste for five (5) years expiring on December 31, 2025.

In September 2021, The Authority entered into a contract with the Port Authority of New York and New Jersey for the disposal services for non-commercial and commercial waste commencing on February 1, 2022 and ending on December 31, 2025.

ESSEX COUNTY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 11 - RELATED PARTY TRANSACTIONS

Essex County pays payroll and employee benefits on behalf of the Authority. The Authority will periodically reimburse Essex County for the amount of money which is owed to Essex County. For the periods ended December 31, 2023 and 2022, the Authority owed to Essex County the amounts of \$221,486 and \$211,806, respectively. For the periods ended December 31, 2023 and 2022, the Authority paid to Essex County the amounts of \$742,111 and \$1,216,502 for payroll and related costs, respectively.

The Authority uses County Police Force, Department of Public Works, and other employees for its annual recycling events held in the spring and fall. Amounts paid to Essex County for these personnel and services were \$77,662 and \$74,573 for the years ended December 31, 2023 and 2022, respectively.

As described in Note 9, the Authority leases its office space from the County of Essex.

NOTE 12 - MAJOR CUSTOMERS

For the year ended December 31, 2023, two (2) customers accounted for fifty-four (54%) percent of the accounts receivable balance due from haulers. One (1) customer accounted for twelve (12%) percent of tipping fee operating revenue.

For the year ended December 31, 2022, two (2) customers accounted for sixty-six (61%) percent of the accounts receivable balance due from haulers. One (1) customer accounted for sixteen (16%) percent of tipping fee operating revenue.

SUPPLEMENTARY INFORMATION

ESSEX COUNTY UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF ESSEX)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Solid Waste			Water		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Operating revenues:						
User charges	\$ 44,083,250	\$ 52,750,939	\$ 8,667,689	\$ 18,000	\$ -	\$ (18,000)
Other operating revenue	-	367	367	-	192	192
Total Operating Revenues	<u>44,083,250</u>	<u>52,751,306</u>	<u>8,668,056</u>	<u>18,000</u>	<u>192</u>	<u>(17,808)</u>
Non-operating revenues:						
Local subsidies and donations	-	-	-	-	-	-
Grants and entitlements	527,650	550,800	23,150	-	-	-
Interest income - operating and restricted	3,700	811,526	807,826	-	-	-
Other	10,000	59,333	49,333	-	-	-
Total non-operating revenues	<u>541,350</u>	<u>1,421,659</u>	<u>880,309</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>44,624,600</u>	<u>54,172,965</u>	<u>9,548,365</u>	<u>18,000</u>	<u>192</u>	<u>(17,808)</u>
APPROPRIATIONS:						
Operating appropriations:						
Administration:						
Salary and wages	467,000	473,659	(6,659)	-	-	-
Fringe benefits	233,500	227,981	5,519	-	-	-
Other expenses	779,500	486,746	292,754	-	-	-
Total Administration	<u>1,480,000</u>	<u>1,188,386</u>	<u>291,614</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost of providing services:						
Other expenses	40,774,600	50,526,208	(9,751,608)	18,000	23,405	(5,405)
Principal payments on debt service in lieu of depreciation	-	-	-	-	-	-
Total operating appropriations	<u>42,254,600</u>	<u>51,714,594</u>	<u>(9,459,994)</u>	<u>18,000</u>	<u>23,405</u>	<u>(5,405)</u>
Nonoperating appropriations:						
Other reserves	2,370,000	2,283,956	86,044	-	-	-
Interest on debt	-	-	-	-	-	-
Accumulated deficit	-	-	-	-	-	-
Total non-operating appropriations	<u>2,370,000</u>	<u>2,283,956</u>	<u>86,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING AND NONOPERATING APPROPRIATIONS	<u>44,624,600</u>	<u>53,998,550</u>	<u>(9,373,950)</u>	<u>18,000</u>	<u>23,405</u>	<u>(5,405)</u>
SURPLUS/(DEFICIT) - BUDGETARY BASIS	<u>\$ -</u>	<u>\$ 174,415</u>	<u>\$ 174,415</u>	<u>\$ -</u>	<u>\$ (23,213)</u>	<u>\$ (23,213)</u>

See Independent Auditors' Report.

ESSEX COUNTY UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF ESSEX)
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2023

<u>Grantor/Pass-Through/Program Title</u>	<u>State Account Number</u>	<u>Program Amount</u>	<u>Program Grant Period</u>	<u>Current Year Disbursements</u>	<u>Total Disbursements</u>
New Jersey Department of Environmental Protection - Division of Solid and Hazardous Waste: 2023 REA Tax Fund County Entitlement Grant	4910-100-042-4910-224-VREF-6010	<u>\$ 550,800</u>	1/1/23 - 6/30/24	<u>\$ 550,800</u>	<u>\$ 550,800</u>

See Independent Auditors' Report.

INDEPENDENT AUDITORS' 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

The Honorable Chairman and
Authority Commissioners
Essex County Utilities Authority
Newark, New Jersey

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 and audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the statements of net position of the business-type activities of the Essex County Utilities Authority as of December 31, 2023 and 2022, and the related statements of revenues, expenditures, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Essex County Utilities Authority's basic financial statements, and have issued our report thereon dated April 15, 2024.

Report on Internal Control Over Financial Reporting

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

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 or significant deficiencies may exist that were not identified.

Reporting on Compliance and Other Matters

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

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.

Bederson LLP

Fairfield, New Jersey
April 15, 2024



ESSEX COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2023

None

ESSEX COUNTY UTILITIES AUTHORITY

STATUS OF PRIOR YEAR FINDINGS

YEAR ENDED DECEMBER 31, 2023

Audit Report dated April 27, 2023, for the year ended December 31, 2022:

Finding No. 2022-01: The trial balance as presented to us reflected an overstatement of accounts payable that resulted in expenses being overstated also. We determined that this amount was material and required adjustments to be made to the trial balance as presented to us. The audit as presented reflects that adjustment.

Status: Corrective action was taken and procedures were put into effect, the finding is closed.

ESSEX COUNTY UTILITIES AUTHORITY
ROSTER OF OFFICIALS FOR 2023

CONTACTING THE AUTHORITY

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Essex County Utilities Authority, Leroy F. Smith, Jr. Public Safety Building, 60 Nelson Place, 6th Floor, Newark, NJ 07102.

Board of Commissioners

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Elmer J. Hermann, Jr.	Acting Executive Director
Bethany O'Toole	Chief Financial Officer