

**ESSEX COUNTY UTILITIES AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES**

**DECEMBER 31, 2016 AND 2015**

**(With Independent Auditors' Report)**

**ESSEX COUNTY UTILITIES AUTHORITY**

**DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2016, 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2016 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.

## **Report on Summarized Comparative Information**

We have previously audited Essex County Utilities Authority's 2015 financial statements and our report dated, April 21, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *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 3 through 9 and page 31 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.

### *Other 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 32 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 19, 2017, 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 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.



Fairfield, New Jersey  
April 19, 2017

# **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, 2016 and 2015. 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, Expenses, 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, Expenses, and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in 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)

	2016	2015	Change
<b>Assets:</b>			
Unrestricted	\$ 14,768	\$ 14,452	\$ 316
Restricted	9,882	10,413	(531)
Net capital assets	<u>41,227</u>	<u>44,369</u>	<u>(3,142)</u>
 Total Assets	 <u>65,877</u>	 <u>69,234</u>	 <u>(3,357)</u>
 Deferred Outflows of Resources	 <u>192</u>	 <u>247</u>	 <u>(55)</u>
<b>Liabilities:</b>			
Long-term liabilities	43,496	45,888	(2,392)
Current liabilities	<u>14,076</u>	<u>19,370</u>	<u>(5,294)</u>
 Total Liabilities	 <u>57,572</u>	 <u>65,258</u>	 <u>(7,686)</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	1,519	(2,111)	3,630
Unassigned	<u>6,979</u>	<u>6,335</u>	<u>644</u>
 Total Net Position	 <u>\$ 8,498</u>	 <u>\$ 4,224</u>	 <u>\$ 4,274</u>

#### CURRENT ASSETS

Unrestricted cash and cash equivalents were \$11.7 million at December 31, 2016, compared to the 2015 balance of \$11 million. Restricted cash was \$9.9 million at December 31, 2016, compared to \$10.4 at December 31, 2015.

Accounts Receivable decreased by approximately \$389,000 or 11% in 2016, as compared to an increase of approximately \$306,000 or 10% in 2015. The 2016 decrease is the result of more collections from municipalities.

#### NONCURRENT ASSETS

The value of the non-current assets decreased by approximately \$3.1 million in 2016, which is comprised of an approximate decrease of \$180,000 in fixed assets, a \$809,000 decrease in contractual rights, and a decrease of \$2.15 million in net deferred charges. The value of the non-current assets decreased by approximately \$3.3 million in 2015, which is comprised of an approximate decrease of \$165,000 in fixed assets, a \$809,000 decrease in contractual rights, and a decrease of \$2.35 million in net deferred charges. The decreases for 2016 and 2015 are the result of depreciation and amortization expenses, which reduce the net book value of these assets.

#### DEFERRED OUTFLOWS OF RESOURCES

The adoption of GASB 65 required that debt defeasance costs previously netted against the long-term portion of bonds payable be presented in the statement of net position as a deferred outflow of resources. The change of \$55,000 in 2016 is due to the current year amortization of such costs.

## ESSEX COUNTY UTILITIES AUTHORITY'S NET POSITION

### CAPITAL ASSETS (\$000's)

	2016	2015	Change
Water system infrastructure	\$ 6,051	\$ 6,051	\$ -
Computer system, furniture and fixtures	443	443	-
Transportation equipment	22	22	-
Total	6,516	6,516	-
Less: Depreciation	5,636	5,455	181
Net Property, Plant and Equipment	<u>\$ 880</u>	<u>\$ 1,061</u>	<u>\$ (181)</u>
Contractual rights - operating	\$ 13,473	\$ 13,275	\$ 198
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	73,945	73,747	198
Less: Amortization	46,088	43,736	2,352
Net Deferred Charges	<u>\$ 27,857</u>	<u>\$ 30,011</u>	<u>\$ (2,154)</u>
Contractual rights - non-operating	\$ 35,322	\$ 35,322	\$ -
Less: Amortization	22,833	22,024	809
Net Contractual Rights	<u>\$ 12,489</u>	<u>\$ 13,298</u>	<u>\$ (809)</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 \$292,000 or 5% in 2016, and decreased by approximately \$278,000 or 4% in 2015. The 2016 increase is due to a increase in prepaid hauler tipping fees as there was an increase in waste tons and a increase in payables for the disposal of waste tons. The 2015 decrease is primarily due to a decrease in tipping charges from waste facilities as there was a decrease in contractual rates for the year.

Current liabilities payable from restricted assets decrease by approximately \$6 million in 2016. This is primarily the result of the scheduled maturity of the \$5.625 million Series 2014 Water Notes which were paid in November 2016.

### NONCURRENT LIABILITIES

Noncurrent liabilities decreased by approximately \$2.4 million, the current year amortization of the net bond premiums was offset by the issuance of the \$4.5 million Series 2016 Water Notes, which were sold at a premium of approximately \$60,000.

## 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)

	2016	2015	Change
Operating revenues	\$ 36,826	\$ 37,031	\$ (205)
Non-operating revenues	<u>1,765</u>	<u>466</u>	<u>1,299</u>
Total Revenues	<u>38,591</u>	<u>37,497</u>	<u>1,094</u>
Operating expense	28,718	27,176	1,542
Depreciation and amortization expense	2,532	2,531	1
Non-operating expense	<u>3,067</u>	<u>3,557</u>	<u>(490)</u>
Total Expenses	<u>34,317</u>	<u>33,264</u>	<u>1,053</u>
Changes in Net Position	4,274	4,233	41
Net Position - beginning of year	<u>4,224</u>	<u>(9)</u>	<u>4,233</u>
Net Position - end of year	<u><u>\$ 8,498</u></u>	<u><u>\$ 4,224</u></u>	<u><u>\$ 4,274</u></u>

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 decreased by \$205,000 to \$36.826 million in 2016, as compared to a \$1.73 million decrease to \$37.031 million in 2015. Overall waste tonnage increased in 2016, and in total was approximately 4.9% greater than 2015. The slight decrease in operating revenues was due to a decrease in fees for Type 10 Resource Recovery and Commercial Type 10 waste. The tipping fees for Type 13 Bulk waste saw a slight increase due to a new contract for waste disposal. Overall for 2016, approximately 69% of total waste tons collected were dumped at the Resource Recovery Facility.

#### OPERATING EXPENSES

Total operating expenses, including depreciation and amortization, increased by \$1.54 million to \$31.250 million in 2016, as compared to an approximate \$1.73 million decrease to \$29.707 million in 2015. The increase is primarily due to an increase in the gate fees charged by the waste processing facilities.



## ESSEX COUNTY UTILITIES AUTHORITY'S CHANGES IN NET POSITION

### NONOPERATING INCOME AND EXPENSES

In 2016, total non-operating income increased by approximately \$1.3 million. In 2016, the Authority received local subsidies and donations from Essex County of approximately \$1.2 million to help with the refinance of the 2014 Water Notes. Additionally, in 2016 grant revenue increased by approximately \$36,000. Non-operating expenses decreased by approximately \$490,000 in 2016, which is due to a decrease in interest expense attributable to the repayment of the current maturities of the bonds payable.

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

Source	2016 Tonnage	2015 Tonnage	Amount Increase (Decrease)	% Increase (Decrease)
<b>Tipping Fee Revenue Type 10 Resource Recovery</b>				
Subtotal	<u>348,124</u>	<u>335,016</u>	<u>13,108</u>	3.91%
<b>Tipping Fee Revenue Type 13 Bulk Waste Transfer Station</b>				
Subtotal	<u>86,285</u>	<u>76,051</u>	<u>10,234</u>	13.46%
<b>Tipping Fee Revenue Commercial Type 10 Transfer Station</b>				
Subtotal	<u>72,604</u>	<u>72,480</u>	<u>124</u>	0.17%
Total for all Facilities	<u>507,013</u>	<u>483,547</u>	<u>23,466</u>	<u>4.85%</u>

Essex County disposed of 507,013 tons of solid waste in 2016 at two (2) designated facilities compared to 483,547 tons in 2015, representing an increase of 23,466 tons. The increase in tons is the result of an increase in municipal/commercial waste as the economy continues to improve, an increase in government enforcement preventing haulers from disposing of waste outside of Authority's facilities, and pursuing the waste violators.

### NET POSITION

The Authority's net position as of December 31, 2016, is a surplus of approximately \$8.498 million. Total assets and deferred outflows of resources of \$66.070 million exceeded liabilities of \$57.572 million. In December 31, 2015, assets and deferred outflows exceeded liabilities by approximately \$4.224 million. Therefore, in 2016 the Authority's net position increased by approximately \$4.274 million. This compares to an increase in net position of \$4.233 million in 2015.

## 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 2016 combined budget to actual comparison for both solid waste and water systems:

<b>2016 COMBINED BUDGET vs. ACTUAL</b> <b>(\$000's)</b>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Operating revenues	\$ 39,398	\$ 36,820	\$ (2,578)
Other operating revenue	-	6	6
Non-operating revenues	<u>1,148</u>	<u>1,765</u>	<u>617</u>
Total Revenues	<u>40,546</u>	<u>38,591</u>	<u>(1,955)</u>
<b>Operating Appropriations:</b>			
Personnel and other	443	466	23
Administration and other	1,038	629	(409)
Cost of providing service:			
Solid waste	30,385	27,577	(2,808)
Water	<u>19</u>	<u>46</u>	<u>27</u>
Total Operating Appropriations	<u>31,885</u>	<u>28,718</u>	<u>(3,167)</u>
<b>Non-operating Appropriations:</b>			
Debt service	9,105	8,629	(476)
Amortization/depreciation expense	3,140	3,340	200
Accumulated deficit - water	<u>25</u>	<u>-</u>	<u>(25)</u>
Total Non-operating Appropriations	<u>12,270</u>	<u>11,969</u>	<u>(301)</u>
<b>Total Operating and Non-operating Appropriations</b>	<u>44,155</u>	<u>40,687</u>	<u>(3,468)</u>
<b>Deficit - Budgetary Basis</b>	<u>\$ (3,609)</u>	<u>\$ (2,096)</u>	<u>\$ 1,513</u>

The revenue shortfall of \$1.955 million against the annual budget is primarily the result of less tonnage in 2016 than budgeted. Additionally, in 2016, the Authority received local subsidies and donations from Essex County of approximately \$1.2 million to help with the refinance of the 2014 Water Notes.

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 shortfall in the solid waste operating expense is the result of less tonnage in 2016 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 Bond (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 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 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.

Revenue bonds outstanding at December 31, 2016, amounted to \$44,820,000. Included in this amount are the 2006 B series refunding bonds, the 2009 series refunding bonds, and the 2016 series refunding bonds. On December 15, 2016, the Authority issued \$7,145,000 series 2016 refunding bonds to advance refund maturities of the outstanding 2006 A series refunding bond. 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 \$6,565,000, resulting from scheduled maturities during the fiscal year, the maturities were as follows:

	2016	2015
Series 2006A - Tax Exempt - Refunding Revenue	\$ 1,255,000	\$ 1,010,000
Series 2006B - Taxable - Refunding Revenue Bonds	845,000	805,000
Series 2009 - Tax Exempt - Refunding Revenue Bonds	4,465,000	4,275,000
	<u>\$ 6,565,000</u>	<u>\$ 6,090,000</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. Actual tonnage levels have increased from the prior years. The increase in tons is the result of an increase in municipal/commercial waste as the economy continues to improve, an increase in government enforcement preventing haulers from disposing of waste outside of Authority's facilities, and pursuing the waste violators.

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, 2016 AND 2015**

**ASSETS**

	<b>DECEMBER 31, 2016</b>			
	<b>Solid Waste</b>	<b>Water</b>	<b>Total</b>	<b>2015 Total</b>
<b>UNRESTRICTED ASSETS:</b>				
Cash and equivalents	\$ 11,667,369	\$ 3,678	\$ 11,671,047	\$ 10,966,259
Accounts receivable	<u>3,092,019</u>	<u>4,898</u>	<u>3,096,917</u>	<u>3,485,773</u>
<b>TOTAL UNRESTRICTED ASSETS</b>	<u>14,759,388</u>	<u>8,576</u>	<u>14,767,964</u>	<u>14,452,032</u>
<b>RESTRICTED ASSETS:</b>				
Debt service account:				
Cash and investments	5,023,969	11,301	5,035,270	5,572,164
Deposits:				
Cash	<u>4,846,872</u>	<u>-</u>	<u>4,846,872</u>	<u>4,840,736</u>
<b>TOTAL RESTRICTED ASSETS</b>	<u>9,870,841</u>	<u>11,301</u>	<u>9,882,142</u>	<u>10,412,900</u>
<b>NONCURRENT ASSETS:</b>				
Capital Assets:				
Property and equipment, net of depreciation	18,951	861,380	880,331	1,060,642
Contractual rights, net of amortization	12,489,476	-	12,489,476	13,298,111
Deferred charges, net of amortization	<u>27,857,495</u>	<u>-</u>	<u>27,857,495</u>	<u>30,010,788</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>40,365,922</u>	<u>861,380</u>	<u>41,227,302</u>	<u>44,369,541</u>
<b>TOTAL ASSETS</b>	<u>64,996,151</u>	<u>881,257</u>	<u>65,877,408</u>	<u>69,234,473</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Defeasance of debt costs	<u>192,276</u>	<u>-</u>	<u>192,276</u>	<u>247,268</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 65,188,427</u>	<u>\$ 881,257</u>	<u>\$ 66,069,684</u>	<u>\$ 69,481,741</u>

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

# ESSEX COUNTY UTILITIES AUTHORITY

## STATEMENTS OF NET POSITION

DECEMBER 31, 2016 AND 2015

### LIABILITIES AND NET POSITION

	DECEMBER 31, 2016			2015
	Solid Waste	Water	Total	Total
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>				
Accounts payable and accrued expenses	\$ 4,472,595	\$ 75,447	\$ 4,548,042	\$ 4,393,181
Due to Essex County for payroll and benefits	307,062	-	307,062	545,784
Prepaid tipping revenue	<u>1,515,643</u>	<u>-</u>	<u>1,515,643</u>	<u>1,139,442</u>
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS</b>	<u>6,295,300</u>	<u>75,447</u>	<u>6,370,747</u>	<u>6,078,407</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>				
Current portion of settlement payable	500,000	-	500,000	500,000
Accrued interest	490,261	15,000	505,261	682,474
Bond anticipation notes payable	-	-	-	5,738,825
Bonds payable	<u>6,700,000</u>	<u>-</u>	<u>6,700,000</u>	<u>6,370,000</u>
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<u>7,690,261</u>	<u>15,000</u>	<u>7,705,261</u>	<u>13,291,299</u>
<b>NON-CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>				
Bonds payable, net	38,522,907	-	38,522,907	45,031,648
Bond anticipation notes payable	-	4,560,030	4,560,030	-
Settlement payable	<u>413,176</u>	<u>-</u>	<u>413,176</u>	<u>856,702</u>
<b>TOTAL NON-CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<u>38,936,083</u>	<u>4,560,030</u>	<u>43,496,113</u>	<u>45,888,350</u>
<b>TOTAL LIABILITIES</b>	<u>52,921,644</u>	<u>4,650,477</u>	<u>57,572,121</u>	<u>65,258,056</u>
<b>NET POSITION:</b>				
Invested in capital assets, net of related debt	5,206,132	(3,687,349)	1,518,783	(2,110,764)
Unrestricted	<u>7,060,651</u>	<u>(81,871)</u>	<u>6,978,780</u>	<u>6,334,449</u>
<b>TOTAL NET POSITION</b>	<u>12,266,783</u>	<u>(3,769,220)</u>	<u>8,497,563</u>	<u>4,223,685</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 65,188,427</u>	<u>\$ 881,257</u>	<u>\$ 66,069,684</u>	<u>\$69,481,741</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, 2016 AND 2015**

	DECEMBER 31, 2016			2015
	Solid Waste	Water	Total	Total
<b>OPERATING REVENUES:</b>				
User charges:				
Tipping fees	\$ 36,799,571	\$ -	\$ 36,799,571	\$ 37,011,461
Service fees	-	20,422	20,422	18,394
Interest income	<u>5,614</u>	<u>114</u>	<u>5,728</u>	<u>1,634</u>
<b>TOTAL OPERATING REVENUES</b>	<u>36,805,185</u>	<u>20,536</u>	<u>36,825,721</u>	<u>37,031,489</u>
<b>OPERATING EXPENSES:</b>				
Administration	1,094,994	-	1,094,994	1,075,297
Operating and maintenance	27,577,314	45,463	27,622,777	26,101,055
Depreciation	6,310	174,000	180,310	180,049
Amortization	<u>2,351,379</u>	<u>-</u>	<u>2,351,379</u>	<u>2,351,379</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>31,029,997</u>	<u>219,463</u>	<u>31,249,460</u>	<u>29,707,780</u>
<b>OPERATING INCOME (LOSS)</b>	<u>5,775,188</u>	<u>(198,927)</u>	<u>5,576,261</u>	<u>7,323,709</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Interest income - restricted	18,489	-	18,489	6,524
Other income	582,344	-	582,344	459,920
Local subsidies and donations	-	1,164,279	1,164,279	-
Amortization of contractual rights	(808,635)	-	(808,635)	(808,635)
Interest expense	<u>(2,217,997)</u>	<u>(40,863)</u>	<u>(2,258,860)</u>	<u>(2,748,894)</u>
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>(2,425,799)</u>	<u>1,123,416</u>	<u>(1,302,383)</u>	<u>(3,091,085)</u>
<b>CHANGES IN NET POSITION</b>	<u>3,349,389</u>	<u>924,489</u>	<u>4,273,878</u>	<u>4,232,624</u>
<b>NET POSITION - beginning of year</b>	<u>8,917,394</u>	<u>(4,693,709)</u>	<u>4,223,685</u>	<u>(8,939)</u>
<b>NET POSITION - end of year</b>	<u>\$ 12,266,783</u>	<u>\$ (3,769,220)</u>	<u>\$ 8,497,563</u>	<u>\$ 4,223,685</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, 2016 AND 2015**

	DECEMBER 31, 2016			2015
	Solid Waste	Water	Total	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from:				
Hauler's tipping fees	\$ 37,661,726	\$ -	\$ 37,661,726	\$ 36,650,867
Service fees	-	23,674	23,674	10,245
Interest earned	5,614	114	5,728	1,634
Other	(100,350)	-	(100,350)	36,557
Payments to employees	(714,665)	-	(714,665)	(605,258)
Payments to suppliers	<u>(28,063,422)</u>	<u>(23,545)</u>	<u>(28,086,967)</u>	<u>(26,822,631)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>8,788,903</u>	 <u>243</u>	 <u>8,789,146</u>	 <u>9,271,414</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Other revenue	582,344	-	582,344	459,920
Interest on investments	18,489	-	18,489	6,524
Purchase of equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,483)</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>600,833</u>	 <u>-</u>	 <u>600,833</u>	 <u>450,961</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Bond issuance costs	(198,087)	-	(198,087)	-
Bond premiums	400,733	60,030	460,763	-
Redemption of Series 2014 Water Notes	-	(5,625,000)	(5,625,000)	-
Issuance of Series 2016 Water Notes	-	4,500,000	4,500,000	-
Local subsidies and donations	-	1,164,279	1,164,279	-
Port settlement payment	(500,000)	-	(500,000)	(500,000)
Principal payment on bonds	(6,565,000)	-	(6,565,000)	(6,090,000)
Interest paid on bonds, loans and notes	<u>(2,285,091)</u>	<u>(167,813)</u>	<u>(2,452,904)</u>	<u>(2,743,349)</u>
 NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(9,147,445)</u>	 <u>(68,504)</u>	 <u>(9,215,949)</u>	 <u>(9,333,349)</u>
 <b>NET CHANGE IN CASH AND EQUIVALENTS</b>	 <b>242,291</b>	 <b>(68,261)</b>	 <b>174,030</b>	 <b>389,026</b>
 <b>CASH AND EQUIVALENTS - beginning</b>	 <u>21,295,919</u>	 <u>83,240</u>	 <u>21,379,159</u>	 <u>20,990,133</u>
 <b>CASH AND EQUIVALENTS - ending</b>	 <u><u>\$ 21,538,210</u></u>	 <u><u>\$ 14,979</u></u>	 <u><u>\$ 21,553,189</u></u>	 <u><u>\$ 21,379,159</u></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, 2016 AND 2015**

	DECEMBER 31, 2016			
	Solid Waste	Water	Total	2015 Total
<b>RECONCILIATION TO STATEMENTS OF NET POSITION:</b>				
Current assets	\$ 11,667,369	\$ 3,678	\$ 11,671,047	\$ 10,966,259
Restricted assets	<u>9,870,841</u>	<u>11,301</u>	<u>9,882,142</u>	<u>10,412,900</u>
	<u>\$ 21,538,210</u>	<u>\$ 14,979</u>	<u>\$ 21,553,189</u>	<u>\$ 21,379,159</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>				
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 5,775,188	\$ (198,927)	\$ 5,576,261	\$ 7,323,709
Adjustments to reconcile operating income (loss)				
to net cash from operating activities:				
Depreciation	6,310	174,000	180,310	180,049
Amortization of deferred charges	2,351,379	-	2,351,379	2,351,379
(Increase) decrease in:				
Accounts receivable	385,604	3,252	388,856	(306,014)
Increase (decrease) in:				
Accounts payable and accrued expenses	(105,779)	21,918	(83,861)	(251,536)
Prepaid tipping fees	<u>376,201</u>	<u>-</u>	<u>376,201</u>	<u>(26,173)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,788,903</u>	<u>\$ 243</u>	<u>\$ 8,789,146</u>	<u>\$ 9,271,414</u>
<b>SUPPLEMENTAL DISCLOSURE OF</b>				
<b>NON-CASH FINANCING ACTIVITIES:</b>				
Defeasance of Series 2006 A Bonds	<u>\$ (7,340,000)</u>	<u>\$ -</u>	<u>\$ (7,340,000)</u>	<u>\$ -</u>
Issuance of Series 2016 Bonds	<u>\$ 7,145,000</u>	<u>\$ -</u>	<u>\$ 7,145,000</u>	<u>\$ -</u>

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

# **ESSEX COUNTY UTILITIES AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

### **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, 2016 AND 2015**

### **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 7.2 percent of their salary to the plan, with a graduated schedule in the future to reach 8 percent. 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 \$180,310 and \$180,049 in 2016 and 2015, respectively.

The cost of property, plant and equipment is depreciated over estimated useful lives ranging from 5 to 20 years.

**ESSEX COUNTY UTILITIES AUTHORITY****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Capital Assets (Continued)**

Capital assets activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Solid Waste:</b>				
Office equipment	\$ 269,567	\$ -	\$ -	\$ 269,567
Computer equipment	173,543	-	-	173,543
Transportation equipment	<u>21,823</u>	<u>-</u>	<u>-</u>	<u>21,823</u>
Total	464,933	-	-	464,933
Less: Accumulated depreciation	<u>439,672</u>	<u>6,310</u>	<u>-</u>	<u>445,982</u>
 <b>Net Solid Waste</b>	 <u>\$ 25,261</u>	 <u>\$ (6,310)</u>	 <u>\$ -</u>	 <u>\$ 18,951</u>
 <b>Water Infrastructure:</b>				
Capital Assets being depreciated	\$ 6,051,531	\$ -	\$ -	\$ 6,051,531
Less: Accumulated depreciation	<u>5,016,151</u>	<u>174,000</u>	<u>-</u>	<u>5,190,151</u>
 <b>Net Water System</b>	 <u>\$ 1,035,380</u>	 <u>\$ (174,000)</u>	 <u>\$ -</u>	 <u>\$ 861,380</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.

**Restricted Accounts**

In accordance with the 1999 Bond Resolution (as amended and supplemented), the Authority has established the following cash and investment accounts for the deposit and/or transfer, in the priority of the order listed, of all moneys received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Received</u>
Construction	Proceeds of Debt Issued	Construction costs of the projects and transfers to meet minimum levels in the bond service account and/or bond reserve account.
Bond	Amount needed to pay matured principal and interest.	Principal and interest on bonds.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Deferred Outflows of Resources**

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. The separate financial statement element represents a consumption of net position that applies to future periods and will not be as an expense or expenditure until then. The only deferred outflow of resources reported in the financial statements is deferred amounts arising from the refunding of the Authority's Solid Waste bonds in previous years. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense, and will decrease the invested in capital assets, net of related debt category of net position.

**Fund Balance**

A net position deficit of \$(3,769,220) 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 are scheduled to mature in 2022. In 2016 and 2015, \$52,173 was appropriated for such specified purposes.

**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.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements**

In June 2012, GASB issued Statement No. 68 "Accounting and Financial Reporting for Pensions, which requires a government employer to recognize a liability to a defined benefit pension plan for the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees, less the amount of the pension plan's fiduciary net position. In the Authority's opinion, it is not required to adopt GASB 68 for its December 31, 2015 financial statements. The Authority has an interlocal services agreement with Essex County whereby the Authority utilizes Essex County personnel for its administrative services and programs. In accordance with the agreement, the Authority reimburses Essex County for such costs.

In June 2015, GASB issued statement No. 73 "Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," which extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary for assets accumulated for pensions that are provided through pension plans not administered through trusts should not be considered pension plan assets. GASB 73 would be effective for the Authority's 2017 financial statements. The Authority is presently reviewing the impact and applicability of GASB 73.

**Reclassifications**

Certain 2015 balances have been reclassified to conform to the 2016 financial statement presentation. Such reclassifications had no effect on the previously reported changes in net position.

**Subsequent Events**

The Authority has evaluated subsequent events through April 19, 2017, which is the date the financial statements were available to be issued.



# **ESSEX COUNTY UTILITIES AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

### **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.

# ESSEX COUNTY UTILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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.

At December 31, 2016 and 2015, cash and cash equivalents of the Authority consisted of the following:

	<u>2016</u>	<u>2015</u>
Money Market and Checking	<u>\$21,553,189</u>	<u>\$21,379,159</u>

The carrying amount of the Authority's cash and cash equivalents at December 31, 2016 and 2015, was \$21,553,189 and \$21,379,159. The bank balance at December 31, 2016 and 2015, was \$21,643,344 and \$21,437,955, respectively.

Cash equivalents include money market funds, cash management funds or certificate of deposits 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.

#### **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 5 - 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, 2016 and 2015. Accumulated amortization for the years ended December 31, 2016 and 2015, amounted to \$7,347,291 and \$6,775,246, respectively.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 5 - DEFERRED CHARGES (Continued)**

Deferred charges for the years ended December 31, 2016 and 2015, being amortized on the straight-line or weighed average basis, consist of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Life</u>
<b>Solid Waste:</b>			
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>-</u>	Various
Total	73,268,009	73,069,921	
Less: Accumulated amortization	<u>45,410,514</u>	<u>43,059,133</u>	
 Net Solid Waste	 <u>\$ 27,857,495</u>	 <u>\$ 30,010,788</u>	
 <b>Water System:</b>			
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 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. The resulting contractual rights of \$35,322,212 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, 2016 and 2015. Accumulated amortization for the years ended December 31, 2016 and 2015, was \$22,832,736 and \$22,024,101, respectively.

On July 15, 1999, as a result of litigation, the Authority entered into a Waste Disposal Agreement with the Port Authority of New York and New Jersey. In accordance with this Agreement, certain debt relating to these contractual rights was cancelled by the State of New Jersey and the Port Authority of New York and New Jersey.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 7 - SETTLEMENT PAYABLE**

The Authority and the Port Authority of New York and New Jersey entered into a "Waste Disposal Agreement" dated July 15, 1999. This Agreement was a result of a settlement of litigation arising from past waste flow regulations being deemed unconstitutional within New Jersey.

In accordance with this Agreement, the Authority paid \$15,000,000 to the Port Authority upon the issuance of the 1999 C and D Solid Waste Revenue Bonds. The Authority is also indebted to the Port Authority for an additional \$5,000,000 to be paid in annual installments of \$500,000 for ten (10) years commencing in January 2009. The discounted present value of this obligation is \$913,176 at December 31, 2016 and \$1,356,702 at December 31, 2015, of which \$500,000 is reflected as a current liability for each year.

Under the terms of the Waste Disposal Agreement, the Authority has guaranteed minimum and maximum tonnage of acceptable refuse per year. The Agreement also sets forth the obligations of both parties and service fees. Additional conditions under the Agreements ensure waste tonnage guarantees with county waste generators, including municipalities and other public institutions disposing of Essex County waste. Should the Authority be unable to deliver the minimum tonnage on an annual basis, the Authority has the ability to mitigate the shortfall through an agreement with a contractor delivering out-of-county waste. The initial term of these Agreements are ten (10) years. During 2014, these agreements were extended for an additional seven (7) years until January 31, 2022, and minimum tonnage requirements as specified in prior agreements were removed. An escrow deposit was established to meet the terms of this agreement relating to the timely remittance of service fees due to the Port Authority. Moreover, a limited deficiency agreement with Essex County is in effect ensuring sufficient funds are available to meet this obligation.

**NOTE 8 - NOTES PAYABLE**

On November 13, 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). Prior to maturity, on November 10, 2010, the Authority issued \$6,250,000 Water System Project Notes (Series 2010) to refinance the Series 2008 notes. On the issuance of the Series 2010 Notes, the Authority received a premium of \$62,500, which was amortized over the term of the Notes. Upon maturity, the Series 2010 notes were refinanced with Series 2012 notes in the amount of \$6,250,000. The Authority received a premium of \$136,563, which was amortized over the term of the Notes. The Series 2012 notes matured in November 2014. The Authority repaid \$625,000 and refinanced the remaining \$5,625,000 balance with Series 2014 notes. A premium of \$248,344 was received, which will be amortized over the term of the Notes. Principal is payable on November 4, 2016, and interest is payable annually at 3% on November 6, 2015 and at maturity. The Series 2014 notes matured in November 2016. The Authority repaid principal of \$1,125,000 and refinanced the remaining \$4,500,000 balance with Series 2016 notes. A premium of \$60,030 was received, which will be amortized over the term of the Notes. Principal is payable on November 2, 2018, and interest is payable annually at 2%.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 8 - NOTES PAYABLE (Continued)**

As further security on these notes, on December 15, 1997, the County of Essex and the Authority entered into a "deficiency agreement" whereby the County has agreed to make up deficiencies in revenues of the Authority so that the Authority will have sufficient funds to pay debt on these notes when due and payable. Per this agreement, in 2016 the County contributed \$1,164,279 to assist the Authority with the issuance of the Series 2016 Notes.

**NOTE 9 - LONG-TERM DEBT**

The Authority issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds have been issued for various capital facilities.

On April 1, 1996, the Authority issued \$63,685,000 of Solid Waste System Revenue Bonds as approved by the State of New Jersey Division of Local Government Services on September 13, 1995. During March 1999, these bonds were defeased as a result of an "advanced refunding". Concurrently, the Authority issued \$75,414,707 Solid Waste System Revenue Bonds, Tax Exempt Series 1999A, of which \$53,340,000 was defeased from the proceeds received from the issuance of the Series 2009 Bonds.

On December 14, 1999, the Authority issued \$29,755,000 of Solid Waste Revenue Bonds, Series 1999 C & D, the proceeds of which were used with the Port Authority litigation settlement. These bonds were repaid in full from the proceeds received from the 2006 bond series.

On October 1, 2006, pursuant to the General Bond Resolution, the Authority issued \$14,890,000 Solid Waste System Refunding Revenue Bonds, Tax Exempt Series 2006B. The Bonds were issued to (1) advance refund certain maturities of the outstanding Series 1999C bonds and (2) pay the costs of issuance of the Refunding Bonds.

On October 1, 2006, pursuant to the General Bond Resolution the Authority issued \$12,030,000 Solid Waste Refunding Bonds Revenue Bonds, Taxable Series 2006A. The Bonds were issued to (1) partly advance refund certain maturities of the outstanding Series 1999D - Tax Exempt Bonds and (2) pay costs of issuance of the Refunding Bonds.

On April 1, 2009, pursuant to the General Bond Resolution, the Authority issued \$52,240,000 Solid Waste System Refunding Revenue Bonds, Series 2009 – Tax Exempt Bonds. The bonds were issued to (1) advance refund certain maturities of the outstanding Series 1999 A - Tax Exempt Bonds and (2) pay costs of issuance of the refunding bonds.

On December 15, 2016, pursuant to the General Bond Resolution, the Authority issued \$7,145,000 Solid Waste System Refunding Revenue Bonds, Series 2016 – Tax Exempt Bonds. The bonds were issued to (1) advance refund maturities of the outstanding Series 2006 A - Tax Exempt Bonds and (2) pay costs of issuance of the refunding bonds. A bond premium of \$400,733 was received, which will be amortized over the term of the bond.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 9 - LONG-TERM DEBT (Continued)**

The bonds payable consist of the following:

	<u>2016</u>	<u>2015</u>
Series 2006A - Tax Exempt - Refunding Revenue Bonds, remaining maturities between October 1, 2008 and October 1, 2022, with interest ranging from 3.25% to 4.25%, payable semi-annually.	\$ -	\$8,400,000
Series 2006B - Taxable - Refunding Revenue Bonds, remaining maturities between October 1, 2008 and October 1, 2022, with interest ranging from 5.27% to 5.58%, payable semi-annually.	6,165,000	7,010,000
Series 2009 - Tax Exempt - Refunding Revenue Bonds, remaining maturities between April 1, 2010 and April 1, 2022, with interest ranging from 2.50% to 5.00%, payable semi-annually.	31,510,000	35,975,000
Series 2016 - Tax Exempt - Refunding Revenue Bonds, remaining maturities between December 15, 2016 and October 1, 2022, with interest ranging from 3.00% to 5.00%, payable semi-annually.	<u>7,145,000</u>	<u>-</u>
Total bonds payable	44,820,000	51,385,000
Plus: Unamortized bond premiums and original issue discounts, net	<u>402,907</u>	<u>16,648</u>
Net bonds payable	45,222,907	51,401,648
Less: Current portion	<u>6,700,000</u>	<u>6,370,000</u>
	<u><u>\$38,522,907</u></u>	<u><u>\$45,031,648</u></u>

Annual debt service requirements to maturity are as follows:

Year ended December 31,	Principal	Interest	Total
2017	\$ 6,700,000	\$ 1,915,383	\$ 8,615,383
2018	6,935,000	1,670,610	8,605,610
2019	7,270,000	1,330,608	8,600,608
2020	7,615,000	969,062	8,584,062
2021	7,960,000	606,122	8,566,122
2022	<u>8,340,000</u>	<u>251,882</u>	<u>8,591,882</u>
	<u><u>\$ 44,820,000</u></u>	<u><u>\$ 6,743,667</u></u>	<u><u>\$ 51,563,667</u></u>

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 9 - LONG-TERM DEBT (Continued)**

The County of Essex and the Authority have entered into a "deficiency agreement" whereby the County shall be obligated to pay all unpaid principal and interest on these bonds should the Authority have insufficient "solid waste service charges" to provide for the payment of principal and interest.

The following changes occurred in bonds payable during the year:

<u>Beginning Balance</u>	<u>2016 Issued</u>	<u>2016 Maturities</u>	<u>Ending Balance</u>
<u>\$51,385,000</u>	<u>\$7,145,000</u>	<u>\$13,710,000</u>	<u>\$44,820,000</u>

The fair value of the revenue bonds payable is based upon current traded values of the respective bonds, in accordance with Level II of the fair value hierarchy.

**Advance and Current Refundings**

The Authority issued \$26,920,000 in 2006 of Solid Waste System Refunding Revenue Bonds to provide resources to defease certain 1999C Series and 1999D Series Revenue Bonds. The proceeds were placed in an irrevocable trust invested in U.S. Government State and Local Government Series securities and, along with earnings thereon, will be adequate to pay interest and redeem principal of the \$19,975,000 1999 Series C refunded bonds and the \$10,420,000 1999 Series D refunded bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by \$1,193,323 on a net present value basis. The reacquisition price exceeded the net carrying amount of the defeased debt by \$1,068,189. This amount is shown as a Deferred Outflow of Resources in the Statement of Net Position and amortized over the life of the new bonds which is equal to the remaining life of the defeased bonds. The remaining unamortized balance at December 31, 2016 and 2015 is \$192,276 and \$245,685, respectively.

The Authority issued \$52,240,000 in 2009 of Solid Waste System Refunding Revenue Bonds to provide resources to defease certain 1999A Series Revenue Bonds. The proceeds were placed in an irrevocable trust invested in U.S. Government State and Local Government Series securities and, along with earnings thereon, will be adequate to pay interest and redeem principal of the \$53,340,000 1999 Series A refunded bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by \$655,403 on a net present value basis. The carrying amount exceeded the net reacquisition price of the defeased debt by \$528,871. This amount is shown as a Deferred Outflow of Resources in the Statement of Net Position and amortized over the life of the new bonds which is equal to the remaining life of the defeased bonds. The remaining unamortized balance at December 31, 2016 and 2015 is \$-0- and \$1,583, respectively.



**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 9 - LONG-TERM DEBT (Continued)**

The Authority issued \$7,145,000 in 2016 of Solid Waste System Refunding Revenue Bonds to provide resources to defease certain 2006A Series Revenue Bonds. The proceeds were placed in an irrevocable trust invested in U.S. Government State and Local Government Series securities and, along with earnings thereon, will be adequate to pay interest and redeem principal of the \$7,340,000 2006 Series A refunded bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by \$248,721 on a net present value basis.

**NOTE 10 - LETTER OF CREDIT**

By resolution adopted January 16, 2003, the Authority has provided a Bond Reserve Credit Facility in substitution for monies on deposit in the Bond Reserve Account and, upon providing such Bond Reserve Credit Facility, the monies on deposit in the Bond Reserve Account will be available to satisfy any other obligation of the Authority.

The Authority has obtained the Bond Reserve Credit Facility from TD Bank and such Bond Reserve Credit Facility will be provided in accordance with the terms of a "Letter of Credit and Reimbursement Agreement" in the amount of \$11,395,715 dated March 3, 2003.

Subsequent to obtaining the Standby Irrevocable Letter of Credit, the \$11,395,715 was transferred to the County of Essex as part of the additional payment made to the County for the initial transfer of the solid waste system upon formation of the Authority (See Note 6).

In addition, on October 1, 2006, the Authority has provided a Bond Reserve Credit Facility in substitution of the monies being deposited in the Bond Reserve Account in connection with the issuance of the Series 2006A and 2006B Bonds.

**NOTE 11 - 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, 2016 AND 2015

### NOTE 12 - COMMITMENTS

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 Authority records rent when paid, which is not in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that rent be recorded on a straight-line basis over the life of the lease. Differences are deemed to be immaterial to the financial statements as a whole.

Total rent expense for the years ended December 31, 2016 and 2015, was \$95,035 and \$93,664, respectively.

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

2017	\$ 96,606
2018	98,212
2019	99,866
2020	101,571
2021	107,646

The Authority has a contract with the New Jersey Meadowland Commission to dispose of Type 13 Bulky Waste. This contract expired in December 2015. On November 17, 2015, the Authority entered into a five (5) year agreement with Waste Management of New Jersey, Inc. to dispose of Type 13 Bulky Waste beginning January 1, 2016.

In October 2012, the Authority renewed its contract with Waste Management of New Jersey, Inc. to use their facility to dispose of Type 10 Commercial Waste. The contract expired on December 31, 2015, and was renewed for an additional five (5) year period.

### NOTE 13 - 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, 2016 and 2015, the Authority owed to Essex County the amounts of \$307,062 and \$545,784, respectively. For the periods ended December 31, 2016 and 2015, the Authority paid to Essex County the amounts of \$916,799 and \$390,499 for payroll and employee benefits, respectively.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 13 - RELATED PARTY TRANSACTIONS (Continued)**

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 \$115,405 and \$115,144 for the years ended December 31, 2016 and 2015, respectively.

As described in Note 12, the Authority leases its office space from the County of Essex.

**NOTE 14 - MAJOR CUSTOMERS**

For the year ended December 31, 2016, two (2) customers accounted for seventy-three (73%) percent of the accounts receivable balance due from haulers. One (1) customer accounted for thirteen (13%) percent of tipping fee operating revenue.

For the year ended December 31, 2015, two (2) customers accounted for sixty-four (64%) percent of the accounts receivable balance due from haulers. One (1) customer accounted for thirteen (13%) percent of tipping fee operating revenue.

**NOTE 15 - RECONCILIATION OF BUDGETARY BASIS AND GAAP**

The accompanying "*Schedule of Revenues and Expenditures - Budget and Actual for the Year ended December 31, 2016*" presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective and entity differences in excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2016, is presented below:

	<u>Solid Waste</u>	<u>Water</u>
Surplus (Deficit) - Budgetary Basis	\$ (3,020,611)	\$ 924,489
Adjustments to reconcile to GAAP Basis:		
Payment of bonds	<u>6,370,000</u>	<u>-</u>
Increase in Net Position - GAAP Basis	<u>\$ 3,349,389</u>	<u>\$ 924,489</u>

## **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, 2016**

	Solid Waste			Water		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Operating revenues:						
User charges	\$ 39,372,700	\$ 36,799,571	\$ (2,573,129)	\$ 25,000	\$ 20,422	\$ (4,578)
Other operating revenue	-	5,614	5,614	-	114	114
Total Operating Revenues	39,372,700	36,805,185	(2,567,515)	25,000	20,536	(4,464)
Non-operating revenues:						
Local subsidies and donations	-	-	-	519,500	1,164,279	644,779
Grants and entitlements	400,000	444,292	44,292	-	-	-
Interest income - operating and restricted	2,000	18,489	16,489	-	-	-
Other	102,173	138,052	35,879	124,000	-	(124,000)
Total non-operating revenues	504,173	600,833	96,660	643,500	1,164,279	520,779
<b>TOTAL REVENUES</b>	<b>39,876,873</b>	<b>37,406,018</b>	<b>(2,470,855)</b>	<b>668,500</b>	<b>1,184,815</b>	<b>516,315</b>
<b>APPROPRIATIONS:</b>						
Operating appropriations:						
Administration:						
Salary and wages	443,000	465,610	22,610	-	-	-
Fringe benefits	204,000	214,013	10,013	-	-	-
Other expenses	833,000	415,371	(417,629)	1,000	-	(1,000)
	1,480,000	1,094,994	(385,006)	1,000	-	(1,000)
Cost of providing services:						
Other expenses	30,385,100	27,577,314	(2,807,786)	18,500	45,463	26,963
Principal payments on debt service in lieu of depreciation	6,370,000	6,370,000	-	281,250	-	(281,250)
Total operating appropriations	38,235,100	35,042,308	(3,192,792)	300,750	45,463	(255,287)
Nonoperating appropriations:						
Other reserves	2,966,000	3,166,324	200,324	174,000	174,000	-
Interest on debt	2,285,094	2,217,997	(67,097)	168,750	40,863	(127,887)
Accumulated deficit	-	-	-	25,000	-	(25,000)
Total non-operating appropriations	5,251,094	5,384,321	133,227	367,750	214,863	(152,887)
<b>TOTAL OPERATING AND NONOPERATING APPROPRIATIONS</b>	<b>43,486,194</b>	<b>40,426,629</b>	<b>(3,059,565)</b>	<b>668,500</b>	<b>260,326</b>	<b>(408,174)</b>
<b>SURPLUS/(DEFICIT) - BUDGETARY BASIS</b>	<b>\$ (3,609,321)</b>	<b>\$ (3,020,611)</b>	<b>\$ 588,710</b>	<b>\$ -</b>	<b>\$ 924,489</b>	<b>\$ 924,489</b>

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, 2016**

<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: 2016 REA Tax Fund County Entitlement Grant	4910-100-042-4910-224-VREF-6010	<u>\$ 444,292</u>	1/1/16 - 6/30/17	<u>\$ 444,292</u>	<u>\$ 444,292</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, 2016 and 2015, 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 19, 2017.

**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 the internal control over financial reporting 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 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.



Fairfield, New Jersey  
April 19, 2017

**ESSEX COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS**  
**YEAR ENDED DECEMBER 31, 2016**

None

**ESSEX COUNTY UTILITIES AUTHORITY**  
**STATUS OF PRIOR YEAR FINDINGS**  
**YEAR ENDED DECEMBER 31, 2016**

No findings in prior year.

**ESSEX COUNTY UTILITIES AUTHORITY**  
**ROSTER OF OFFICIALS FOR 2016**

**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, 6<sup>th</sup> Floor, Newark, NJ 07102.

**Board of Commissioners**

Caren Freyer-DeSouza	Vice Chair
Victor A. Afanador	Secretary
Joseph S. Tyrrell	Treasurer
Jessica F. Battaglia	Commissioner
Quinzell R. McKenzie	Commissioner
Louis J. Stanzione	Commissioner
Nicholas A. Grieco	Chairman
Elmer J. Herrmann, Jr.	Acting Executive Director
Bethany O'Toole	Chief Financial Officer