

THE BERGEN COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Bergen)

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009

**THE BERGEN COUNTY UTILITIES AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members of the Board
The Bergen County Utilities Authority
Little Ferry, New Jersey

We have audited the accompanying basic financial statements of The Bergen County Utilities Authority, a component unit of the County of Bergen as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Bergen County Utilities Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of The Bergen County Utilities Authority as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2010 on our consideration of The Bergen 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Bergen County Utilities Authority. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of The Bergen County Utilities Authority. The accompanying schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office and Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and are also not a required part of the financial statements of The Bergen County Utilities Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 28, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)**

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The Bergen County Utilities Authority's ("BCUA" or "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended December 31, 2009. Please read it in conjunction with the Authority's financial statements and accompanying notes.

The BCUA is responsible for conducting the following operations:

- Operation, maintenance and improvement of a Water Pollution Control System serving forty-seven municipalities and various commercial entities.
- Implementing a co-operative Solid Waste and Recycling System on behalf of municipalities who choose to participate in the program.
- Generation and collection of revenues to accomplish those quality of life tasks. For more than fifty years the BCUA has accomplished those tasks and has employed, trained and developed many residents of Bergen County and positioned the Authority to be of continuing benefit to the County of Bergen and the environment.

FINANCIAL HIGHLIGHTS

- The Authority's total net assets from current year operations decreased \$916,213 (1.3%).
- Cash and Investments decreased \$6,515,606.
- Long-term liabilities decreased \$9,726,911 (3.4%).
- Enterprise Fund Operating Revenues were \$72,358,693.
- Enterprise Fund Operating Expenses were \$64,513,259.
- Enterprise Fund Operating Income was \$7,845,434.

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of four parts: The Independent Auditors' Report, Management's Discussion and Analysis (this section), the basic financial statements and supplementary schedules and information. The Authority is a self-supporting entity and follows enterprise fund reporting for its Water Pollution Control and Solid Waste operations; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In addition, the Authority maintains an internal service fund to account for its risk management operations. Internal service fund operations are also presented using the accrual basis of accounting.

Proprietary-type fund (Enterprise and Internal Service Funds) statements offer short and long-term financial information about the activities and operations of the Authority. These statements are presented in the Government Accounting Standards Board ("GASB") prescribed manner. The Authority also presents an entity-wide statement of net assets and statement of activities in its basic financial statements. The operations and net assets of the internal service fund are eliminated in the entity-wide basic financial statements since its operations consist solely of risk management services provided to the Enterprise Funds.

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets – The following table summarizes the Authority's Net Assets as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
ASSETS		
Current and Other Assets	\$ 98,479,028	\$ 139,697,535
Capital Assets	<u>271,819,281</u>	<u>242,495,572</u>
Total Assets	<u>370,298,309</u>	<u>382,193,107</u>
LIABILITIES		
Long-Term Liabilities	285,219,836	294,359,612
Other Liabilities	<u>14,970,905</u>	<u>15,281,575</u>
Total Liabilities	<u>300,190,741</u>	<u>309,641,187</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	57,303,429	55,158,070
Restricted	4,954,361	4,848,140
Unrestricted	<u>7,849,768</u>	<u>11,017,561</u>
Total Net Assets	<u>\$ 70,107,558</u>	<u>\$ 71,023,771</u>

The Authority's Net Assets before prior period adjustments decreased \$916,213 or 1.3%.

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Activities – The following table summarizes the Authority's Changes in Net Assets for the years ended December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
REVENUES		
Program Revenues		
Charges for Services	\$ 72,358,693	\$ 71,102,821
Operating Grants and Contributions	547,614	363,693
Capital Grants and Contributions		5,179,801
Investment Earnings	<u>334,923</u>	<u>1,667,683</u>
Total Revenues	<u>73,241,230</u>	<u>78,313,998</u>
EXPENSES		
Water Pollution Control	59,833,237	58,763,289
Solid Waste	<u>14,324,206</u>	<u>14,934,127</u>
Total Expenses	<u>74,157,443</u>	<u>73,697,416</u>
Changes in Net Assets	(916,213)	4,616,582
Net Assets, Beginning of Year (Restated)	<u>71,023,771</u>	<u>66,407,189</u>
Net Assets, End of Year	<u>\$ 70,107,558</u>	<u>\$ 71,023,771</u>

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Enterprise Fund Financial Statements

The following table summarizes the Net Assets of the Enterprise Funds (exclusive of Internal Service Funds) as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
ASSETS		
Current and Other Assets	\$ 90,332,476	\$ 131,516,477
Capital Assets	<u>271,819,281</u>	<u>241,898,927</u>
Total Assets	<u>362,151,757</u>	<u>373,415,404</u>
LIABILITIES		
Long-Term Liabilities	281,219,684	291,818,954
Other Liabilities	<u>12,654,698</u>	<u>12,380,743</u>
Total Liabilities	<u>293,874,382</u>	<u>304,199,697</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	57,303,429	55,158,070
Restricted	1,000,000	1,000,000
Unrestricted	<u>9,973,946</u>	<u>12,126,133</u>
Total Net Assets	<u>\$ 68,277,375</u>	<u>\$ 68,284,203</u>

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

OPERATING ACTIVITIES

The following table summarizes the Changes in Net Assets of the Enterprise Funds (exclusive of Internal Service Funds) for calendar years 2009 and 2008:

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Water Pollution Fees	\$ 56,041,497	\$ 55,070,094
Solid Waste Fees	12,459,726	12,716,994
Miscellaneous	<u>3,857,470</u>	<u>3,315,733</u>
Total Operating Revenues	<u>72,358,693</u>	<u>71,102,821</u>
OPERATING EXPENSES		
Administration	5,312,947	5,784,652
Water Pollution Control Operations	37,003,085	34,726,304
Solid Waste Disposal Operations	13,973,405	14,149,201
Depreciation	<u>8,223,822</u>	<u>7,822,305</u>
Total Operating Expenses	<u>64,513,259</u>	<u>62,482,462</u>
Operating Income	<u>7,845,434</u>	<u>8,620,359</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	334,923	1,667,683
Interest Expense	(7,679,221)	(7,126,453)
Amortization of Costs of Issuance	(509,756)	(468,885)
Other Non-Operating Expenses	(545,822)	(659,408)
Intergovernmental Grants	<u>547,614</u>	<u>5,543,494</u>
Total Non-Operating Income (Expenses)	<u>(7,852,262)</u>	<u>(1,043,569)</u>
Change in Net Assets	(6,828)	7,576,790
Net Assets, Beginning of Year (Restated)	<u>68,284,203</u>	<u>60,707,413</u>
Net Assets, End of Year	<u>\$ 68,277,375</u>	<u>\$ 68,284,203</u>

The Water Pollution Control Division generated an operating income of \$9,486,112 and \$10,089,472 in 2009 and 2008, respectively. Whereas, the Solid Waste Management Division incurred an operating loss of \$1,640,678 and \$1,469,113 in 2009 and 2008, respectively.

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

OPERATING ACTIVITIES (Continued)

Collection of accounts billed to governmental customers continues at almost 100% of water pollution control revenues through the use of consistent quarterly billing and collection processes. Solid Waste accounts receivable represent approximately two months' billing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at December 31, 2009 and 2008:

Water Pollution Control Fund

	<u>2009</u>	<u>2008</u>
Land and Land Improvements	\$ 2,515,837	\$ 2,515,837
Utility Plant and Infrastructure	270,754,671	247,656,583
Vehicles, Machinery and Equipment	121,645,967	119,635,785
Construction in Progress	<u>111,117,347</u>	<u>98,678,086</u>
Sub-Total	506,033,822	468,486,291
Less Accumulated Depreciation	<u>(234,214,541)</u>	<u>225,990,719</u>
Capital Assets, Net	<u>\$ 271,819,281</u>	<u>\$ 242,495,572</u>

The Authority sold the Solid Waste transfer station in 2002; consequently, no capital assets are reported in the Solid Waste Management Division in 2009 and 2008. Depreciation expense in the Water Pollution Control Division was \$8,223,822 and \$7,822,305 in 2009 and 2008, respectively.

Additional information on the BCUA's capital assets can be found in the Notes to the Basic Financial Statements.

THE BERGEN COUNTY UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Debt

The following table summarizes capital debt as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>	% Change Increase (Decrease)
Water Pollution Control Fund			
Revenue Bonds Payable, Net	\$ 157,956,045	\$ 166,819,891	-5.3%
NJ EDA Loan Payable	1,288,891	1,611,113	-20.0%
NJ EIT Loan Payable, Net	<u>118,615,895</u>	<u>120,028,520</u>	-1.2%
	<u>\$ 277,860,831</u>	<u>\$ 288,459,524</u>	-3.7%

Additional information on the BCUA's capital debt can be found in the Notes to the Basic Financial Statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Bergen County, New Jersey citizens and ratepayers and our customers, investors and creditors, with a general overview of the Authority's finances to demonstrate the BCUA's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Chief Financial Officer at BCUA, Mehrhof Road, Little Ferry, New Jersey, 07643.

BASIC FINANCIAL STATEMENTS

THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009

	Business-Type Activities
ASSETS	
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 24,750,537
Receivables - Net of Allowance for Uncollectibles	3,695,273
Prepaid Items	213,417
Inventory	3,514,739
Deferred Charges	4,600,946
Restricted Assets:	
Temporarily Restricted:	
Cash and Cash Equivalents	39,387,334
Receivables	22,316,772
Capital Assets:	
Land and Land Improvements	2,515,837
Utility Plant and Infrastructure	270,754,671
Vehicles, Machinery and Equipment	121,645,967
Less: Accumulated Depreciation	(234,214,541)
Construction in Progress	<u>111,117,347</u>
 Total Assets	 <u>370,298,299</u>
 LIABILITIES	
Accounts Payable and Other Current Liabilities	9,201,929
Unearned Revenue	2,006,916
Liabilities Payable from Restricted Assets	3,762,060
Non-Current Liabilities:	
Due within One year	11,630,047
Due in More Than One Year	<u>273,589,789</u>
 Total Liabilities	 <u>300,190,741</u>
 NET ASSETS	
Invested in Capital Assets, net of related debt	57,303,429
Restricted For:	
Unemployment Insurance	149,837
Environmental Liability	3,804,524
Renewal and Replacement	1,000,000
Unrestricted	<u>7,849,768</u>
 Total Net Assets	 <u>\$ 70,107,558</u>

See Accompanying Notes to Basic Financial Statements

THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Functions/Programs:</u>	<u>Program Revenues</u>			<u>Net (Expense)/</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
Business Type Activities:				
Water Pollution Control	\$ 59,833,237	\$ 59,857,042		\$ 23,805
Solid Waste	<u>14,324,206</u>	<u>12,501,651</u>	\$ 547,614	<u>(1,274,941)</u>
Total Business-Type Activities	<u>\$ 74,157,443</u>	<u>\$ 72,358,693</u>	<u>\$ 547,614</u>	<u>(1,251,136)</u>
General Revenues:				
Unrestricted Investment Earnings				<u>334,923</u>
Change in Net Assets				<u>(916,213)</u>
Net Assets, January 1, 2009				72,551,920
Prior Period Adjustment				<u>(1,528,149)</u>
Net Assets, January 1, 2009, as adjusted				<u>71,023,771</u>
Net Assets, December 31, 2009				<u>\$ 70,107,558</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2009

	Business-Type Activities- Enterprise Funds			Internal Service Funds
	Water Pollution Control	Solid Waste Management	Total	
ASSETS				
Current Assets:				
Unrestricted Current Assets:				
Cash and Cash Equivalents	\$ 8,129,738	\$ 8,559,337	\$ 16,689,075	\$ 8,061,462
Accrued Interest Receivable		62,764	62,764	85,080
Accounts Receivable - Net of Allowance	228,000	3,319,429	3,547,429	
Internal Balances	(216,150)	216,150		
Inventory	3,514,739		3,514,739	
Prepaid Items	193,562	19,855	213,417	-
Total Unrestricted Current Assets	<u>11,849,889</u>	<u>12,177,535</u>	<u>24,027,424</u>	<u>8,146,542</u>
Restricted Current Assets:				
Revenue Account				
Cash and Cash Equivalents	18,679		18,679	
Bond Reserve Account				
Cash and Cash Equivalents	15,995,341		15,995,341	
Bond Service Account				
Cash and Cash Equivalents	64,264		64,264	
Bond Issuance Account				
Cash and Cash Equivalents	70,723		70,723	
Construction Account				
Cash and Cash Equivalents	22,238,327		22,238,327	
Accrued Interest Receivable	174		174	
State Loans Receivable	22,316,094		22,316,094	
Renewal and Replacement Account				
Cash and Cash Equivalents	1,000,000		1,000,000	
Accrued Interest Receivable	504	-	504	-
Total Restricted Current Assets	<u>61,704,106</u>	<u>-</u>	<u>61,704,106</u>	<u>-</u>
Total Current Assets	<u>73,553,995</u>	<u>12,177,535</u>	<u>85,731,530</u>	<u>8,146,542</u>
Noncurrent Assets:				
Deferred Charges:				
Debt Issuance Costs (net of amortization)	4,600,946	-	4,600,946	-
Total Deferred Charges	<u>4,600,946</u>	<u>-</u>	<u>4,600,946</u>	<u>-</u>
Capital Assets:				
Land and Land Improvements	2,515,837		2,515,837	
Utility Plant and Infrastructure	270,754,671		270,754,671	
Vehicles, Machinery and Equipment	121,645,967		121,645,967	
less: Accumulated Depreciation	(234,214,541)		(234,214,541)	
Construction in Progress	111,117,347	-	111,117,347	-
Total Capital Assets (Net of accumulated depreciation)	<u>271,819,281</u>	<u>-</u>	<u>271,819,281</u>	<u>-</u>
Total Noncurrent Assets	<u>276,420,227</u>	<u>-</u>	<u>276,420,227</u>	<u>-</u>
Total Assets	<u>\$ 349,974,222</u>	<u>\$ 12,177,535</u>	<u>\$ 362,151,757</u>	<u>\$ 8,146,542</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2009

	<u>Business-Type Activities- Enterprise Funds</u>			Internal Service Funds
	<u>Water Pollution Control</u>	<u>Solid Waste Management</u>	<u>Total</u>	
LIABILITIES				
Current Liabilities (Payable from Unrestricted Assets)				
Accounts Payable	\$ 2,818,945	\$ 189,739	\$ 3,008,684	
Accrued Expenses	403,765	3,100,067	3,503,832	
Accrued Compensated Absences	360,145	13,061	373,206	
Unearned Revenue		2,006,916	2,006,916	
Accrued Liability for Insurance Claims				\$ 2,155,894
Claims Payable				432,985
Other Liabilities	-	-	-	100,534
Total Current Liabilities Payable from Unrestricted Assets	<u>3,582,855</u>	<u>5,309,783</u>	<u>8,892,638</u>	<u>2,689,413</u>
Current Liabilities (Payable from Restricted Assets)				
Revenue Bonds Payable, Current Portion	4,735,000		4,735,000	
Loans Payable, Current Portion	6,521,841		6,521,841	
Accrued Interest Payable	915,607		915,607	
Accounts Payable	<u>2,846,453</u>	<u>-</u>	<u>2,846,453</u>	<u>-</u>
Total Current Liabilities Payable from Restricted Assets	<u>15,018,901</u>	<u>-</u>	<u>15,018,901</u>	<u>-</u>
Non-Current Liabilities				
Revenue Bonds Payable	153,221,045		153,221,045	
Loans Payable	113,382,945		113,382,945	
Accrued Compensated Absences	3,241,304	117,549	3,358,853	
Post-Employment Benefits	-	-	-	3,626,946
Total Non-Current Liabilities	<u>269,845,294</u>	<u>117,549</u>	<u>269,962,843</u>	<u>3,626,946</u>
Total Liabilities	<u>288,447,050</u>	<u>5,427,332</u>	<u>293,874,382</u>	<u>6,316,359</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	57,303,429		57,303,429	
Restricted For:				
Renewal and Replacement	1,000,000		1,000,000	
Unrestricted	<u>3,223,743</u>	<u>6,750,203</u>	<u>9,973,946</u>	<u>1,830,183</u>
Total Net Assets	<u>\$ 61,527,172</u>	<u>\$ 6,750,203</u>	<u>68,277,375</u>	<u>\$ 1,830,183</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				
Amounts Reported for business-type activities in the statement of net assets (exhibit A-1) are different because: internal service fund				
internal service fund assets and liabilities are included with business-type activities				
Net Assets of Business-type activities				
			<u>1,830,183</u>	
			<u>\$ 70,107,558</u>	

**THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Business-Type Activities- Enterprise Funds</u>			Internal Service Funds
	Water Pollution Control	Solid Waste Management	Total	
OPERATING REVENUES				
User Charges and Fees	\$ 56,041,497	\$ 12,459,726	\$ 68,501,223	
Miscellaneous	<u>3,815,545</u>	<u>41,925</u>	<u>3,857,470</u>	\$ 5,360,039
Total Operating Revenues	<u>59,857,042</u>	<u>12,501,651</u>	<u>72,358,693</u>	<u>5,360,039</u>
OPERATING EXPENSES				
Allocated Administration	5,144,023	168,924	5,312,947	
Cost of Operations	37,003,085	13,973,405	50,976,490	
Insurance Claims				5,352,010
Post-Employment Benefits- Annual Required Contribution				1,086,288
Unemployment Claims				896
Depreciation	<u>8,223,822</u>	<u>-</u>	<u>8,223,822</u>	<u>-</u>
Total Operating Expenses	<u>50,370,930</u>	<u>14,142,329</u>	<u>64,513,259</u>	<u>6,439,194</u>
OPERATING INCOME (LOSS)	<u>9,486,112</u>	<u>(1,640,678)</u>	<u>7,845,434</u>	<u>(1,079,155)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	181,717	153,206	334,923	169,770
Interest Expense	(7,679,221)		(7,679,221)	
Other Non-Operating Expense	(545,822)		(545,822)	
Amortization of Costs of Issuance	(509,756)		(509,756)	
Intergovernmental Grants	<u>-</u>	<u>547,614</u>	<u>547,614</u>	<u>-</u>
Total Non-Operating Income (Expenses)	<u>(8,553,082)</u>	<u>700,820</u>	<u>(7,852,262)</u>	<u>169,770</u>
CHANGE IN NET ASSETS	<u>933,030</u>	<u>(939,858)</u>	<u>(6,828)</u>	<u>(909,385)</u>
Total Net Assets, January 1, 2009	62,122,291	7,690,061		2,739,568
Prior Period Adjustment	<u>(1,528,149)</u>	<u>-</u>		<u>-</u>
Total Net Assets, January 1, 2009, as adjusted	<u>60,594,142</u>	<u>7,690,061</u>		<u>2,739,568</u>
Total Net Assets, December 31, 2009	<u>\$ 61,527,172</u>	<u>\$ 6,750,203</u>		<u>\$ 1,830,183</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:

Amounts reported for business-type activities in the Statement of Activities (Exhibit A-2) are different because the net expense of internal service funds is reported with business-type activities

(909,385)

Change in Net Assets of Business-Type Activities

\$ (916,213)

THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities- Enterprise Funds			Internal Service Fund
	Water Pollution Control	Solid Waste Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 59,944,196	\$ 11,868,525	\$ 71,812,721	\$ 5,357,815
Cash Paid to Suppliers	(19,795,735)	(11,791,971)	(31,587,706)	(5,562,101)
Cash Paid for Salaries and Benefits	(21,845,889)	(1,031,925)	(22,877,814)	-
Net Cash Provided by (Used for) Operating Activities	18,302,572	(955,371)	17,347,201	(204,286)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Intergovernmental Grants	-	547,614	547,614	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	547,614	547,614	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
NJ EIT Loan Proceeds	32,586,569		32,586,569	
Principal Payment - Revenue Bonds	(9,025,000)		(9,025,000)	
Principal Payment- Loans	(1,681,970)		(1,681,970)	
Non-Capitalized Construction Expenses	(47,973)		(47,973)	
Acquisition of Capital Assets	(39,564,206)		(39,564,206)	
Interest Paid - Bonds, Notes and Leases	(7,207,023)	-	(7,207,023)	-
Net Cash (Used for) Capital and Related Financing Activities	(24,939,603)	-	(24,939,603)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale/Maturity of Investments	-	2,057,841	2,057,841	
Interest and Dividends Received	233,595	198,075	431,670	301,798
Net Cash Provided by Investing Activities	233,595	2,255,916	2,489,511	301,798
Net Increase in Cash and Cash Equivalents	(6,403,436)	1,848,159	(4,555,277)	97,512
Cash and Cash Equivalents, January 1, 2009	53,846,237	6,711,178	60,557,415	7,963,950
Prior Period Adjustment	74,271	-	74,271	-
Cash and Cash Equivalents, January 1, 2009, as adjusted	53,920,508	-	53,920,508	7,963,950
Cash and Cash Equivalents, December 31, 2009	\$ 47,517,072	\$ 8,559,337	\$ 56,076,409	\$ 8,061,462
Analysis of Balance at December 31, 2009				
Unrestricted - Cash and Equivalents	\$ 8,129,738	\$ 8,559,337	\$ 16,689,075	\$ 8,061,462
Restricted - Cash and Equivalents	39,387,334	-	39,387,334	-
	\$ 47,517,072	\$ 8,559,337	\$ 56,076,409	\$ 8,061,462

THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-Type Activities- Enterprise Funds</u>			
	Water Pollution Control	Solid Waste Management	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to				
Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ 9,486,112	\$ (1,640,678)	\$ 7,845,434	\$ (1,079,155)
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided by (Used for) Operating Activities:				
Depreciation	8,223,822		8,223,822	
Provision for Uncollectible Accounts	(280,857)		(280,857)	
(Increase)/Decrease in Accounts Receivable	368,011	(1,045,012)	(677,001)	
(Increase)/Decrease in Inventory	(16,882)	-	(16,882)	
(Increase)/Decrease in Prepaid Expenses	1,525	748	2,273	
Increase/(Decrease) in Accounts Payable	20,450	173,763	194,213	(2,224)
Increase/(Decrease) in Accrued Expenses	57,625	1,116,047	1,173,672	(209,195)
Increase/(Decrease) in Accrued Compensated Absences	344,754	27,875	372,629	
Increase/(Decrease) in Post-Employment Benefits				1,086,288
Increase/(Decrease) in Other Liabilities		411,886	411,886	-
(Increase)/Decrease in Other Assets	98,012	-	98,012	-
Total Adjustments	8,816,460	685,307	9,501,767	874,869
Net Cash Provided by (Used for) Operating Activities	\$ 18,302,572	\$ (955,371)	\$ 17,347,201	\$ (204,286)
Noncash Investing, Capital and Financing Activities:				
Purchase of Capital Assets on Account	\$ 2,764,649		\$ 2,764,649	
Original Issue Discount	2,126		2,126	
Original Issue Premium	(539,472)		(539,472)	

**THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF PLAN NET ASSETS
POST-EMPLOYMENT BENEFITS TRUST FUND
AS OF DECEMBER 31, 2009**

	<u>2009</u>
ASSETS	
Cash and Investments	\$ <u> -</u>
Total Assets	<u> -</u>
NET ASSETS	
Net Assets Held in Trust for Other Post-Employment Benefits	<u> -</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
STATEMENT OF CHANGES IN PLAN NET ASSETS
POST-EMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009</u>
ADDITIONS	
Contributions	
Employer	<u>\$ 1,256,902</u>
Total Additions	<u>1,256,902</u>
 DEDUCTIONS	
Benefits	<u>1,256,902</u>
Total Deductions	<u>1,256,902</u>
Net Increase in Plan Assets	<u>-</u>
 NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS	
Net Assets, January 1	<u>-</u>
Net Assets, December 31	<u>\$ -</u>

NOTES TO BASIC FINANCIAL STATEMENTS

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Bergen County Utilities Authority, successor agency to the Bergen County Sewer Authority, a public body corporate and politic of the State of New Jersey, was created pursuant to the laws of the State of New Jersey, Chapter 123, P.L. 1946 (as amended and supplemented by N.J.S.A. 40:14B-1) by virtue of a resolution of the Board of Chosen Freeholders of the County of Bergen (the "County") adopted February 19, 1947. The Authority commenced operations in 1951 by providing water pollution control services to twelve municipalities. Currently, the Authority services through its Water Pollution Control Division a population of approximately one half million in forty-seven municipalities as well as several commercial entities.

Additionally, pursuant to a resolution adopted October 1, 1979 by the Board of Chosen Freeholders of the County, the Authority created the Division of Solid Waste Management Division for the purpose of implementing the Bergen County District Solid Waste Management Plan (the "Plan") for proper management of solid waste within Bergen County. The Plan has evolved through the years to reflect the dramatic changes to solid waste management throughout the State of New Jersey. The current plan incorporates a hierarchy of management practices that emphasizes recycling and source reduction as the preferred method of managing Bergen County's solid waste stream.

The Authority operates under the provisions of the Municipal and County Utilities Authorities Law (the "Act") and has broad powers under the Act including, among others, the following: to retain, operate and administer its property; to provide for bonds and to secure their payment and rights of holders thereof; to charge and collect service charges for the use of its facilities and to revise such service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and the interest on any bonds or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority is governed by a Board of Commissioners (the "Board") consisting of nine members, each of whom is appointed by the Bergen County Executive with the advice and consent of the Board of Chosen Freeholders. In addition, the County Executive has veto power over the actions of the Board of Commissioners. An Executive Director is appointed by the Board and functions as Chief Executive Officer responsible for the daily operations of the Authority. A Chief Financial Officer is appointed by the Board and oversees the fiscal affairs of the Authority.

The Bergen County Utilities Authority includes in its financial statements the primary government and those component units for which the primary government is financially accountable. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units. The Authority would be includable as a component unit of the County of Bergen on the basis of such criteria.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements present financial information about the Authority as a whole. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the proprietary funds and fiduciary fund. Major individual enterprise funds (the Water Pollution Control Fund and the Solid Waste Management Fund) and the internal service fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic “resources measurement focus” and the “accrual basis of accounting”, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary fund) are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, fund equity, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped as follows:

Proprietary Fund Types

Enterprise Funds - The Enterprise Funds are used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the board is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges. The Authority maintains enterprise funds to account for its water pollution control and solid waste management operations.

Internal Service Fund – The Internal Service Fund is used to report the activity of the Authority’s self-insurance, unemployment insurance and environmental liability insurance funds which provides insurance coverage to the Water Pollution Control and Solid Waste Management Enterprise Funds.

Fiduciary Fund Types

Other Post-Employment Benefit Trust Fund (OPEB) – The OPEB Fund is used to account for activities of the other post-employment benefits plan, which accumulated resources for medical benefits provided to qualified Authority employees and retirees.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 3).

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow FASB guidance issued subsequent to December 1, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's Water Pollution Control and Solid Waste Management Enterprise Funds and are charges to customers for sales and services, and of its Internal Service Fund charges to the Authority's Enterprise Funds. Operating expenses for enterprise funds and the internal service fund include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit and all short-term investments with original maturities of three months or less from the date of purchase. Investments are reported at fair value and are limited by the 1992 Bond Resolution as amended and supplemented thereto. See Note 4 for specific disclosures on cash and investments.

2. Inventory

The Authority utilizes the consumption method of accounting for inventories whereas they report the inventories purchased as assets and defer the recognition of an expenditure until the period in which the inventories are actually consumed. The value of the reported inventories is stated at cost or estimated cost if actual cost is not available.

3. Prepaid Items

Certain payments to vendors affect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

4. *Accounts Receivable*

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

5. *Interfunds Receivable and Payable*

During the course of its operations, the Authority has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have been recorded as internal balances and are eliminated on the combining statement of net assets.

6. *Restricted Assets*

Certain assets are classified as restricted on the statement of net assets because they are maintained in separate bank accounts held by a trustee and their use is limited by the 1992 Bond Resolution.

7. *Capital Assets*

All capital assets acquired or constructed by the Authority are reported in the government-wide and proprietary fund financial statements. Capital assets are defined by the Authority as assets with an individual cost of \$2,000 and an estimated useful life of at least two years. Such assets are recorded at historical cost if purchased or estimated historical cost of constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives.

All capital assets are valued at historical cost and depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Class</u>	<u>Life</u>
Site Improvements	40 Years
Utility Plant and Infrastructure	40 Years
Machinery and Equipment	5-15 Years
Vehicles	6 Years

8. *Deferred Charges*

Debt Issuance Costs

In connection with the Authority's issuance of debt, the Authority incurred certain professional and printing costs. These expenses are deferred and amortized over the respective lives of the debt.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

9. *Compensated Absences*

Sick leave and in certain instances vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employee for the benefits.

10. *Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as losses on bond refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of these unamortized amounts.

11. *Net Assets*

Restricted net assets are limited to outside third-party restrictions imposed either by law or by other organizations or persons external to the Authority. Unrestricted net assets represent the net assets neither restricted nor invested in capital assets, net of related debt.

12. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority 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. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary Accounting*

The Authority annually prepares operating budgets for its Water Pollution Control and Solid Waste Management systems. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Budgetary control is exercised within the respective system. Unexpended appropriations lapse at year-end.

The annual budgets are approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six Year Capital budgets are also prepared for each system. Included within the budgets are individual projects along with their estimated cost, completion date and source of funding.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. Budgetary Accounting (Continued)

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either cancelled or are included as re-appropriations of fund equity for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and re-appropriations.

2. Revenues

After the operating budgets are adopted, a sewer user rate is approved by the Board. Sewer user charges are directly imposed on users through quarterly bills based on each user's pro-rata share of flow to the Authority. Revenue is recognized in the year that the user is billed.

Solid waste fees are imposed on users through monthly bills based on a set contractual transportation fee, if applicable, tipping fees based upon actual tonnage disposed and a per ton administrative fee. Revenue is recognized in the year the services are rendered.

NOTE 3 CREATION OF FUNDS

Under the Bond Resolution dated December 12, 1992, the following funds are required to be created and held by the Authority's Trustee:

- A) Revenue Fund (Restricted)
- B) Operating Fund (Unrestricted)
- C) Bond Service Fund (Restricted)
- D) Bond Sinking Fund (Restricted)
- E) Renewal and Replacement Fund (Restricted)
- F) Subordinated Indebtedness Fund (Restricted)
- G) General Fund (Unrestricted)
- H) Construction Fund (Restricted)

Each of the above funds represents separate accounts held by a trustee, except for the Operating Account, which is held by the Authority.

The funds are described as follows:

Revenue Fund - To account for all revenues and deficiency advances received by the Authority. All revenues and deficiency advances deposited into the Revenue Fund are transferred by the Trustee on the transfer dates as defined by the Bond Resolution to the following funds described below.

Operating Fund - To account for the payment of all operating costs of the Authority.

Bond Service Fund - To account for the accumulation of resources for the payment of principal and interest due during the current fiscal year on outstanding bonds.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 3 CREATION OF FUNDS (Continued)

Bond Sinking Fund - To account for the accumulation of resources required to pay principal on all term bonds in accordance with the Sinking Fund requirements.

Bond Reserve Fund – To account for funds held in accordance with the Bond Resolution to meet the Bond Reserve requirement, an amount which is equal to the maximum annual debt service on outstanding bonds.

Renewal and Replacement Fund – To account for the accumulation of resources to meet the renewal and replacement reserve requirement, as certified by the Authority’s consulting engineers, in accordance with the Bond Resolution. The Trustee can withdraw from this fund, upon a certification of the consulting engineers, for the use of reasonable and necessary expenses of the Authority with respect to major repairs, renewals, replacements, maintenance items, equipment or operating expenses.

Subordinated Indebtedness Fund – To account for funds held for any bonds or notes or other obligations of the Authority that is issued under a separate bond resolution. The subordinated indebtedness fund was created pursuant to the bond resolution for the Water Pollution Control Subordinated ERI Refunding Bonds, Series 2004.

General Fund – To account for the accumulation of resources resulting from excess monies, which are not required to be maintained in any of the above funds.

Construction Fund - To account for all financial resources received by the Authority for the payment of costs related to the construction, acquisition or restoration of the systems. All moneys that are on deposit in the Construction Account are pledged to secure the payment of the principal of, redemption premium, if any, and the interest on the Bonds.

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits – The Authority’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey’s Governmental Unit Deposit Protection Act (GUDPA). The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2009, the book value of the Authority's deposits was \$50,697,599 and bank balances of the Authority's cash and deposits amounted to \$51,109,973.

The Authority’s deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 50,675,981
Uninsured and Collateralized	433,992
	<hr/>
	\$ 51,109,973

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2009, the Authority's bank balance of \$433,992 was exposed to custodial credit risk as follows:

Uninsured with collateral held by pledging bank's agent, not in the Authority's name	\$ <u>433,992</u>
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Investments – The Authority is required by its Bond Resolutions to maintain each of its investments in the Fund (account) in which the investment is made. In all accounts, except the operating account, the securities and the underlying collateral are held by the Bond Trustees and are within their care, custody and control. The type, quality and length of time of investment are regulated by the Bond Resolution (see Note 3).

Under the Authority's Bond Resolution, the following investments are permitted:

- 1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");
- 2) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities;
- 3) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and by Standard & Poor's Corporation;
- 4) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation;
- 5) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that fully and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P;

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- 6) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;
- 7) Investments in money-market funds rates "AAAm" or "AAAm-G" by Standard & Poor's Corporation.
- 8) Repurchase agreements collateralized by Direct Obligations, GNMMAs, FNMMAs or FHLMMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rates "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided:
 - a. a master repurchase agreement or specific written repurchase agreement governs the transaction; and
 - b. the securities are held free and clear of any lien by the Trustee or any independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million or (iii) a bank approved in writing for such purpose by the Bond Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, and
 - c. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and
 - d. the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and
 - e. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2009, the Authority had the following investments:

	<u>Fair and Reported Value</u>
<u>Investment:</u>	
U.S. Government Securities - Money Market Funds	<u>\$ 13,440,272</u>
Cash Equivalents (Money Market Funds)	<u>\$ 13,440,272</u>

Custodial Credit Risk – Investments - For an investment, this is the risk, that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Board does not have a policy for custodial risk. As of December 31, 2009 \$13,440,272 of the Authority’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>
Uninsured and Collateralized:	
Collateral held by pledging financial institutions' trust department or agent but not in the Authority name	<u>\$ 13,440,272</u>

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing it’s exposure to fair value losses arising from increasing interest rates.

The fair value of the above-listed investments were based on quoted market prices.

NOTE 5 RESTRICTED ASSETS

Bond covenants of the Authority require portions of the debt proceeds as well as other resources to be set-aside for various purposes. These amounts are reported as restricted assets and are described as follows.

- The “Revenue Fund” account reserves all revenues received for future distribution to the various accounts of the Authority in accordance with the Bond Resolution.
- The “Construction Fund” account segregates cash and investments that are restricted for use in construction.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 RESTRICTED ASSETS (Continued)

- Cash and investments restricted for debt service payment on bonds are segregated in the “Bond Service Fund” account.
- Cash and investments reserved to meet future debt service contingencies are segregated in “Bond Reserve Fund” accounts.
- Cash and investments reserved for major repairs, renewals, replacements and non-routine maintenance items are segregated in “Renewal and Replacement Fund” accounts.

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2009:

	Balance, January 1, <u>2009</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2009</u>
Land and Site Improvements	\$ 2,515,837			\$ 2,515,837
Utility Plant and Infrastructure	247,656,583	\$ 23,098,088		270,754,671
Vehicles, Machinery and Equipment	119,635,785	2,010,182		121,645,967
Construction in Progress	<u>98,678,086</u>	<u>36,266,514</u>	<u>\$ 23,827,253</u>	<u>111,117,347</u>
	468,486,291	61,374,784	23,827,253	506,033,822
Less Accumulated Depreciation	<u>(225,990,719)</u>	<u>(8,223,822)</u>	<u>-</u>	<u>(234,214,541)</u>
Capital Assets, Net	<u>\$ 242,495,572</u>	<u>\$ 53,150,962</u>	<u>\$ 23,827,253</u>	<u>\$ 271,819,281</u>

NOTE 7 LONG-TERM LIABILITIES

Revenue Bonds – The Authority issues Revenue Bonds to (i) permanently finance capital acquisitions and improvements; (ii) fund bond reserve requirements as more fully described in the Authority’s bond resolution; and (iii) provide for the payment of the costs of issuance related to such bonds.

The 1992 (Series B), the 1997 (Series A), the 2001 (Series A), the 2004 (Series A), the 2005 (Series A), the 2005 (Series B, federally taxable) and 2006 (Series A), 2007 Refunding (Series A), 2007 Refunding (Series B) and 2007 Edgewater System Acquisition and Series 2008 (issued through BCIA), Water Pollution Control System Revenue Bonds are special obligations of the Water Pollution Control System and are payable from and secured by a pledge of revenues of the Authority derived principally from payments paid by various municipalities pursuant to service contracts and subject to the Authority’s right to pay operating expenses and to pay a rebate to the United States Government. Payment of the principal and interest on the 1992 Series A Bonds, the 1997 Series A Bonds, the 1992 Series B Bonds, the 2001 Series A Bonds, and the 2004 Series A Bonds are guaranteed by the Financial Guaranty Insurance Company (FGIC) should the Authority default in the payment thereof. The 2005 Series A Bonds and the 2005 Series B Bonds (federally taxable), the 2006 Series A Bonds and the 2007 Edgewater System Acquisition Bonds are guaranteed by Ambac Assurance Corporation should the Authority default in the payment thereof. The Subordinated ERI Refunding Bonds (Series 2004, Federally Taxable) are not insured or otherwise guaranteed. The 2007 Refunding Bonds (Series A and Series B) and 2008 Revenue Bonds are not insured, but are guaranteed as specified in the Bergen County guarantee ordinance.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

Revenue Bonds outstanding at December 31, 2009, consist of the following:

Water Pollution Control Revenue Bonds, Series 1992B, Term Bonds, 6.00% due December 15, 2013	\$ 105,000
5.50% due December 15, 2016	4,975,000
Water Pollution Control Revenue Bonds, Series 2001A, Serial Bonds, 3.50% to 5.375% due December 15, 2010 to 2014	5,560,000
Water Pollution Control Revenue Bonds, Series 2004A, Serial Bonds, 3.00% to 5.00% due December 15, 2010 to 2021	6,980,000
Water Pollution Control Subordinated ERI Refunding Bonds, (Federally Taxable, Series 2004B) 5.75% due December 15, 2010 to 2014	970,000
Water Pollution Control Revenue Bonds, Series 2005A, 3.25% to 5.00%, due December 15, 2010 to 2013	4,465,000
Water Pollution Control Revenue Bonds, Series 2006A, 4.00% to 5.00%, due December 15, 2010 to 2031	25,985,000
Water Pollution Control BCIA Refunding Bonds, Series 2007A, 4.00%, due December 15, 2018 to 2021	31,855,000
Water Pollution Control BCIA Refunding Bonds, Series 2007B, 4.00% to 5.00%, due December 15, 2010 to 2017	29,740,000
Water Pollution Control System Acquisition Revenue Bonds, Series 2007, 4.00% to 5.00%, due December 15, 2010 to 2027	17,790,000
Water Pollution Control BCIA Revenue Bonds, Series 2008, 3.00% to 5.00%, due December 15, 2011 to 2029	<u>29,600,000</u>
Total Revenue Bonds Payable	158,025,000
Less: Current Portions of Revenue Bonds Payable	<u>4,735,000</u>
Net Long Term Portion of Revenue Bonds Payable	<u>\$ 153,290,000</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 LONG-TERM LIABILITIES (Continued)

New Jersey Economic Development Authority Loans, Interest Free	\$ 1,288,891
New Jersey Environmental Infrastructure Trust	
Trust Loan, Series 2005	3,820,000
Fund Loan, Series 2005	9,799,718
Trust Loan, Series 2006	20,885,000
Fund Loan, Series 2006	54,999,310
Trust Loan, Series 2007	400,000
Fund Loan, Series 2007	1,073,095
Trust Loan, Series 2008	7,150,000
Fund Loan, Series 2008	<u>19,900,580</u>
Total Loans Payable	119,316,594
Less: Current Portion of Loans Payable	<u>6,521,841</u>
Net Long-Term Portion of Loans Payable	<u>\$ 112,794,753</u>

The Authority's long-term liabilities are reported net of any unamortized premium or discount and net of unamortized loss on refunding. Long-term liability activity for the year ended December 31, 2009 was as follows:

	<u>Balance,</u> <u>January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>December 31, 2009</u>
Revenue Bonds				
Serial Bonds	\$ 161,970,000	\$ -	\$ (9,025,000)	\$ 152,945,000
Term Bonds	<u>5,080,000</u>	<u>-</u>	<u>-</u>	<u>5,080,000</u>
Subtotal - Revenue Bonds	167,050,000	-	(9,025,000)	158,025,000
Add: Unamortized Premium	3,395,877	-	(486,595)	2,909,282
Less: Unamortized Discount	(14,797)	-	2,126	(12,671)
Unamortized Loss on Refunding	<u>(3,611,189)</u>	<u>-</u>	<u>645,623</u>	<u>(2,965,566)</u>
Total Revenue Bonds - Net	<u>\$ 166,819,891</u>	<u>\$ -</u>	<u>\$ (8,863,846)</u>	157,956,045
				<u>4,735,000</u>
Less Current Portion of Revenue Bonds Payable				
Net Long-Term Portion of Revenue Bonds Payable				<u>\$ 153,221,045</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 LONG-TERM LIABILITIES (Continued)

	Balance, <u>January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>December 31, 2009</u>
Loans Payable				
NJ EDA Loan Payable	\$ 1,611,113		\$ (322,222)	\$ 1,288,891
NJ EIT Loan Payable	<u>119,387,451</u>	<u>-</u>	<u>(1,359,748)</u>	<u>118,027,703</u>
Sub-Total Loans Payable	120,998,564	-	(1,681,970)	119,316,594
Add: Unamortized Premium	<u>641,069</u>	<u>-</u>	<u>(52,877)</u>	<u>588,192</u>
Total Loans Payable - Net	<u>121,639,633</u>	<u>-</u>	<u>(1,734,847)</u>	<u>119,904,786</u>
Accrued Compensated Absences	3,359,430	\$ 372,629	-	3,732,059
Post-Employment Benefits	<u>2,540,658</u>	<u>1,086,288</u>	<u>-</u>	<u>3,626,946</u>
Total Long-Term Liabilities, Net	<u>\$ 294,359,612</u>	<u>\$ 1,458,917</u>	<u>\$ (10,598,693)</u>	<u>\$ 285,219,836</u>

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2009 is as follows:

Year Ending <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Loans Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 4,735,000	\$ 7,235,581	\$ 6,521,841	\$ 1,480,399	\$ 19,972,821
2011	5,785,000	7,024,031	6,592,356	1,426,299	20,827,686
2012	6,615,000	6,790,131	6,642,459	1,360,799	21,408,389
2013	7,890,000	6,508,236	6,715,462	1,292,539	22,406,237
2014	8,570,000	6,132,843	6,474,342	1,220,764	22,397,949
2015-2019	49,675,000	23,903,371	33,486,693	4,950,369	112,015,433
2020-2024	35,045,000	13,092,468	35,586,928	2,866,063	86,590,459
2025-2029	20,910,000	7,343,700	17,296,513	506,761	46,056,974
2030-2034	13,010,000	2,846,325			15,856,325
2035-2037	<u>5,790,000</u>	<u>528,751</u>	<u>-</u>	<u>-</u>	<u>6,318,751</u>
	<u>\$ 158,025,000</u>	<u>\$ 81,405,437</u>	<u>\$ 119,316,594</u>	<u>\$ 15,103,993</u>	<u>\$ 373,851,024</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Defeasance of Debt

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for all of the defeased bonds are not included in the Authority's financial statements. On December 31, 2009, none of the bonds outstanding are considered defeased.

NOTE 8 ACCOUNTS AND LOAN RECEIVABLES

Accounts receivable at December 31, 2009, including the applicable allowance for doubtful accounts, consisted of the following:

	<u>Water Pollution Control</u>	<u>Solid Waste Management</u>	<u>Total</u>
Gross Accounts and Loan Receivables	\$ 23,557,135	\$ 3,319,429	\$ 26,876,564
Less: Allowance for Doubtful Accounts	<u>(1,013,041)</u>	-	<u>(1,013,041)</u>
Accounts Receivable (Net)	<u>\$ 22,544,094</u>	<u>\$ 3,319,429</u>	<u>\$ 25,863,523</u>

The Authority currently is involved in a billing dispute with an industrial user who has discontinued operations. Although the Authority believes its billing is proper, the receivable has been classified as an allowance for doubtful accounts for financial statement purposes due to the uncertain outcome of the matter. Should the receivable or a portion, be collected, it will be realized as revenue in a future period.

NOTE 9 ACCRUED COMPENSATED ABSENCES

Under the existing policies of the Authority, employees are allowed to accumulate (with certain restrictions) unused sick leave and vacation benefits over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement, termination in good standing or by extended absence immediately preceding retirement. It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$3,732,059 at December 31, 2009. Of this amount \$373,206 is accrued as a current liability and \$3,358,853 is reported as a long-term liability at December 31, 2009.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 10 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS

The Authority's bond covenants require certain restricted funds to be on deposit at year-end. The balances required to be on deposit at December 31, 2009 are as follows:

<u>2009</u>	<u>Bond Reserve Fund</u>	<u>Renewal and Replace- ment Fund</u>
Required Balance	\$ 14,734,802	\$ 1,000,000
Cash and Investments	<u>15,995,341</u>	<u>1,000,000</u>
Excess Funding	<u>\$ 1,260,539</u>	<u>\$ -</u>

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system (retirement system) covering substantially all state and local government employees which includes those Authority employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by the system and is considered in the annual actuarial calculation of the required contributions for the system.

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above system, funds, and trust. The financial report may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pension.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

The financial statements of the retirement system are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement system. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement system.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2009, c. 19, effective March 17, 2009 provides an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS for payments due in State fiscal year 2009. This law also provides that a local employer may pay 100 percent of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of PERS to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 72.6 percent with an unfunded actuarial accrued liability of \$34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and \$23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and \$11.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement system; and (2) 5.45 percent for projected salary increases for the retirement system.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the retirement system requires employee contributions based on 5.5% for PERS of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2009 for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made.

During the years ended December 31, 2009, 2008 and 2007, the Authority was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>
2009	\$829,425
2008	788,297
2007	355,760

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Authority provides a post employment healthcare plan for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Authority. In accordance with Authority contracts and/or policies, the Authority provides health and prescription coverage to retirees after completion of twenty-five years of service.

Funding Policy

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the Authority. For the year 2009, the Authority contributed \$1,256,902 to the Plan, to fund its current claims but did not fund any future benefits based upon the actuarially determined Annual Required Contribution (ARC).

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the plan.

Annual Required Contribution	\$	2,664,590
Interest on Net OPEB Obligation		152,439
Adjustment to Annual Required Contribution		<u>(473,839)</u>
Annual OPEB Cost (Expense)		2,343,190
Contributions Made		<u>(1,256,902)</u>
Increase in Net OPEB Obligation		1,086,288
Net OPEB Obligation - Beginning of Year		<u>2,540,658</u>
Net OPEB Obligation - End of Year	\$	<u>3,626,946</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2009, 2008 and 2007 were as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2009	\$2,343,190	53.64%	\$3,626,946
2008	2,875,130	19.62%	2,540,658
2007	361,263	100.00%	229,562

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The projected actuarial accrued liability for benefits was \$61,855,751. The Authority has no plan assets, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$61,855,751. The covered payroll (annual payroll of active employees covered by the plan) was \$13,290,722, and the ratio of the projected UAAL to the covered payroll was 21 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 13 OTHER INFORMATION

A. Risk Management

The Authority is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Authority is self-insured to guard against these events to minimize exposure to the Authority should they occur.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 13 OTHER INFORMATION (Continued)

The Authority retains risk of workmen's compensation, employee benefits and residual environmental liability of the Kingsland Park Sanitary Landfill.

The Authority has established a worker's compensation plan and a health benefits plan for its employees. Transactions related to the plans are accounted for in the self-insurance internal service fund. The Authority funds the entire cost of the plans. Claims are paid directly by the plans up to a maximum of \$350,000 for any one accident or occurrence for worker's compensation and \$60,000 for health benefits, with any excess benefit being reimbursed through a re-insurance agreement. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the Authority under existing reinsurance agreements.

Estimates of claims payable and of claims incurred, but not reported at December 31, 2009, are reported as claims payable and accrued liability for insurance claims. These estimates were determined based on claim information supplied by the claims administrator and actuary. The unpaid claims liability of \$2,588,879 reported at December 31, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The results of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimate.

Changes in the balances of claims liabilities for the self-insurance internal service fund for the years ended December 31, 2009, 2008 and 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Unpaid Claims, January 1	\$ 2,798,074	\$ 1,893,179	\$ 1,499,253
Incurred Claims (including IBNR's)	5,352,010	5,696,872	4,738,792
Claim Payments	<u>(5,561,205)</u>	<u>(4,791,977)</u>	<u>(4,344,866)</u>
Unpaid Claims, December 31	<u>\$ 2,588,879</u>	<u>\$ 2,798,074</u>	<u>\$ 1,893,179</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 13 OTHER INFORMATION (Continued)

B. Provision for Landfill Closure/Sale of Transfer Station

On May 31, 2002, in connection with the sale of the Transfer Station as discussed herein, the New Jersey Meadowlands Commission assumed closure and post-closure responsibilities for the Kingsland Park Sanitary Landfill.

On October 26, 2000, the New Jersey Meadowland Commission (NJMC) and EnCap Golf, LLC ("EnCap") executed a Landfill Closure and Development Agreement that proposed the remediation of six landfills and the subsequent development of golf course(s) within the Hackensack Meadowlands District. As part of this redevelopment project, the NJMC has committed to purchase the BCUA transfer station located at One Disposal Road, North Arlington, New Jersey. The NJMC has also committed to acquiring the Kingsland Park Sanitary Landfill (KPSL) from the County of Bergen and assume the KPSL closure and post-closure responsibilities. The redevelopment project also provides for additional funding from EnCap and the State of New Jersey for utilization in the defeasance of the BCUA Solid Waste System Revenue Bonds, Refunding Series A issued in May of 1992.

On January 17, 2002, the Commissioners of the BCUA adopted a Resolution, subject to the execution of agreements satisfactory to the BCUA, for the sale of the BCUA transfer station and appurtenances thereto and the initiative to permanently defease BCUA's outstanding solid waste debt.

On February 14, 2002, the BCUA executed an Intergovernmental Agreement ("IGA") by and among the New Jersey Meadowlands Commission ("NJMC"); the County of Bergen ("County"), and the BCUA (collectively, the "Parties") for the defeasance of BCUA Solid Waste Bonds and Transfer of Solid Waste Facilities. The agreement called for the Parties to make contributions to defease the outstanding debt of the BCUA, and upon the defeasance of the outstanding debt, the conveyance by the BCUA of its Transfer Station to the NJMC, which Transfer Station has financed with BCUA tax-exempt bonds that were refunded by the outstanding debt, and the conveyance by the County to the NJMC of its interest in the Kingsland Park Sanitary Landfill ("KPSL"), which was improved with the proceeds of tax-exempt BCUA bonds that have been refunded by the outstanding debt.

On February 21, 2002, the Commissioners of the BCUA adopted a Resolution to effectuate a reduction in force, due to the closing of the transfer station located in North Arlington, and to submit the layoff plan to the New Jersey Department of Personnel for review and approval.

On May 31, 2002, the entire amount \$91,125,000, of the 1992 Solid Waste Bonds was defeased. Per the terms of the IGA the following deposited funds totaling \$92,269,967 into a Defeasance Escrow Account: NJMC \$42,000,000 (includes \$18,500,000 for the Transfer Station purchase), County of Bergen \$20,000,000, State of New Jersey \$11,500,000 and the BCUA \$22,769,967 from its restricted and unrestricted cash reserves. As required by the IGA, the BCUA transferred \$4,440,000 into separate Solid Waste Escrow Fund accounts. Of that amount, \$3,000,000 is to be used for environmental liabilities relating to BCUA's use and or operation of KPSL or the Transfer Station including environmental insurance and \$1,440,000 for long-term BCUA employee benefits, including retiree benefits. In addition, in consideration for NJMC assumption of the closure and post-closure responsibilities for KPSL, the KPSL Closure Fund escrow agreements between the BCUA and the New Jersey Department of Environmental Protection ("DEP") were amended to delete the BCUA and substitute NJMC, and NJMC may receive disbursements from these funds for approved expenses as determined by DEP in accordance with applicable law.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 13 OTHER INFORMATION (Continued)

C. Contingent Liabilities

The Authority is a party defendant in some lawsuits, none of a kind unusual for an Authority of its size and scope of operation. In the opinion of the Attorney, the potential claims against the Authority not covered by insurance policies could not be determined at this time.

Pending Litigation – On January 25, 2008, the Authority received a Notice of Claim under the New Jersey Tort Claims Act on behalf of the estate of Ruby K. Thomas. The plaintiff's make a claim against the Authority in the amount of ten million dollars for loss arising from the death of Ruby K. Thomas in a construction crane accident which occurred at the Authority's facility on October 31, 2007. The Ruby Thomas Action was submitted to court ordered mediation which resulted in a settlement funded with insurance proceeds on December 22, 2009, subject to pending judicial fairness review pursuant to new Jersey's wrongful death statute and by New Jersey Rules of Court N.J.S.A. 2A:31-4; R. 4:44-3, which is required when there is a minor survivor of the deceased. On March 24, 2010, the New Jersey Superior Court issued a First Order approving the settlement as between defendants (including the Authority) and plaintiffs and appointing a *guardian ad litem* to provide the court with findings and recommendations as to how the net settlement proceeds should be allocated between plaintiffs.

On March 4, 2009 the Authority received a complaint alleging breach of contract and tortious interference with the plaintiffs sublease with a third party regarding the Kingsland Landfill. The complaint seeks monetary damages of \$1,756,000. The other defendants to this action are the New Jersey Meadowlands Commission and EnCap Golf Holdings. Given that the lawsuit is in the initial stage of discovery, it is impossible to predict an outcome with any reasonable degree of certainty.

D. Federal Arbitrage Regulations

The Authority is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2009 and 2008, the Authority had no estimated arbitrage earnings due to the IRS.

NOTE 14 PRIOR PERIOD ADJUSTMENT

It was noted during the current year, that the Authority had previously classified certain disbursements as construction in progress that should have been expensed against the prior year's Authority budgets. An adjustment was made to reclassify these disbursements. This adjustment decreased the beginning net assets of the Water Pollution Control by \$596,645. It was also noted that the Authority had previously not reduced the amount of the State loans receivable for interest capitalized during construction. An adjustment was made to reclassify those disbursements. This adjustment decreased the beginning net assets of the Water Pollution Control by \$931,504.

The total amount of the combined adjustments was \$1,528,149.

In addition, it was noted that a cost of issuance bank account relating to the 2008 Bond Sale had been previously omitted from the Authority's financial statements. This adjustment increased Restricted Cash and Accounts Payable (Current Liabilities Payable from Restricted Assets) by \$74,271.

SUPPLEMENTARY SCHEDULES

**THE BERGEN COUNTY UTILITIES AUTHORITY
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
December 31, 2009	-	\$ 61,855,751	\$ 61,855,751	0%	\$ 13,290,722	465.4%
December 31, 2008	-	63,916,310	63,916,310	0%	12,961,068	493.1
December 31, 2007	\$ 229,562	3,855,279	3,625,717	6.0	12,060,061	30.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 3,626,946	53.64%
2008	2,540,658	19.62
2007	361,263	100

SCHEDULE 2

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2009
BUDGETARY BASIS**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Excess (Deficit)</u>
OPERATING REVENUES			
Service Agreements	\$ 55,796,420	\$ 55,854,803	\$ 58,383
Sewer Connection Fees	1,200,000	186,694	(1,013,306)
Standard Offer Payments	1,500,000	1,472,694	(27,306)
Edgewater Debt Service Contribution	1,400,000	1,469,217	69,217
Miscellaneous	300,000	809,683	509,683
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	60,196,420	59,793,091	(403,329)
NON-OPERATING REVENUES			
Interest on Investments	550,000	181,717	(368,283)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	550,000	181,717	(368,283)
	<hr/>	<hr/>	<hr/>
Total Water Pollution Revenues	60,746,420	59,974,808	(771,612)
OPERATING APPROPRIATIONS			
Operations & Maintenance			
Salaries and Wages	6,838,730	6,695,267	143,463
Engineering			
Salaries and Wages	869,776	848,981	20,795
Other Expenses	2,260,000	3,225,711	(965,711)
Collection			
Salaries and Wages	1,727,762	1,895,189	(167,427)
Other Expenses	646,000	839,544	(193,544)
Compliance			
Salaries and Wages	1,366,425	1,410,924	(44,499)
Other Expenses	340,000	302,476	37,524
Facilities Cost			
Telephone	40,000	2,357	37,643
Water	185,000	293,250	(108,250)
Electric	3,400,000	1,584,043	1,815,957
Gas	2,700,000	1,839,572	860,428
Fuel Oil	200,000	116,732	83,268

SCHEDULE 2

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2009
BUDGETARY BASIS**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Excess (Deficit)</u>
Direct Processing			
Other Expenses	\$ 1,000,000	\$ 1,378,583	\$ (378,583)
Waste Disposal			
Other Expenses	4,752,000	6,203,589	(1,451,589)
Contract Maintenance			
Other Expenses	300,000	228,135	71,865
Replacement Parts			
Other Expenses	1,752,000	970,554	781,446
Supplies			
Other Expenses	851,000	1,044,031	(193,031)
Safety Programs			
Other Expenses	189,000	187,472	1,528
Insurance			
Multi-Peril	650,000	677,376	(27,376)
Employee Benefits			
Public Employees Retirement System	763,944	763,944	-
Social Security	827,000	817,584	9,416
Unemployment Insurance	245,000	237,710	7,290
Workers Compensation	210,000	417,801	(207,801)
Prescription/Vision Insurance	735,000	828,387	(93,387)
Health Insurance	3,100,000	3,583,478	(483,478)
Dental Insurance	260,000	265,641	(5,641)
Compensated Absences			
Salaries and Wages	<u>200,000</u>	<u>344,754</u>	<u>(144,754)</u>
Total Operating Appropriations	36,408,637	37,003,085	(594,448)
Capital Outlay			
Miscellaneous	<u>400,000</u>	<u>294,342</u>	<u>105,658</u>
Total Appropriations	<u>36,808,637</u>	<u>37,297,427</u>	<u>(488,790)</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2009
BUDGETARY BASIS**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Excess (Deficit)</u>
NON-OPERATING APPROPRIATIONS			
Bond and Loan Principal	\$ 10,608,943	\$ 10,384,748	\$ 224,195
Bond and Loan Interest	7,176,351	7,789,928	(613,577)
Repayment of Port Authority Loan	322,222	322,222	-
Trustee Fees	125,000	144,937	(19,937)
Reserve for Uncollected Receivables	<u>400,000</u>	<u>280,857</u>	<u>119,143</u>
 Total Non-Operating Appropriations	 <u>18,632,516</u>	 <u>18,922,692</u>	 <u>(290,176)</u>
 Allocated Appropriations			
Inter-Dept. Costs			
Salaries and Wages	2,250,812	2,099,543	151,269
Fringe Benefits	1,661,535	1,726,686	(65,151)
Other Expenses	<u>1,392,920</u>	<u>1,317,794</u>	<u>75,126</u>
 Total Allocated Appropriations	 <u>5,305,267</u>	 <u>5,144,023</u>	 <u>161,244</u>
 Total Appropriations	 <u>60,746,420</u>	 <u>61,364,142</u>	 <u>(617,722)</u>
 Budgetary Income (Loss)	 <u>\$ -</u>	 <u>(1,389,334)</u>	 <u>\$ (1,389,334)</u>

RECONCILIATION TO GAAP BASIS:

Adjustments	
Depreciation Expense	(8,223,822)
Capital Outlay	294,342
Change in Inventory	16,882
Principal Paid on Debt	10,706,970
Change in Accrued Interest	363,921
Non-Capitalized Construction Expenses	(47,973)
Adjustment to Loans Receivable	(169,923)
Amortization Expense - Costs of Issuance	
Bonds	(509,756)
Amortization of Bonds, Loans Premium, Discount and	
Deferred Loss on Refunding	<u>(108,277)</u>
 Change in Net Assets - GAAP Basis	 <u>\$ 933,030</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2009
BUDGETARY BASIS

	<u>Budget</u>	<u>Actual</u>	Variance <u>Excess (Deficit)</u>
OPERATING REVENUES			
Cooperative Marketing Program	\$ 12,792,000	\$ 12,282,801	\$ (509,199)
Cooperative Recycling Program		25,266	25,266
Cooperative School HHW Program	42,800	-	(42,800)
Computer Recycling Fees	22,000	-	(22,000)
Program Admin. Fees	164,000	151,659	(12,341)
Miscellaneous	25,000	41,925	16,925
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	13,045,800	12,501,651	(544,149)
NON-OPERATING REVENUES			
Recycling & Solid Waste Grants	545,000	547,614	2,614
Interest on Investments	320,000	153,206	(166,794)
Retained Earnings Appropriations	755,260	755,260	-
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	1,620,260	1,456,080	(164,180)
	<hr/>	<hr/>	<hr/>
Total Solid Waste Revenues	14,666,060	13,957,731	(708,329)
OPERATING APPROPRIATIONS			
Planning and Administration			
Salaries and Wages	119,345	109,875	9,470
Other Expenses	175,500	79,767	95,733
Cooperative Marketing	12,792,000	12,283,392	508,608
Recycling			
Salaries and Wages	420,150	395,484	24,666
Other Expenses	57,600	54,734	2,866
Entitlements	545,000	544,307	693
Insurance			
Other Expenses	71,000	75,263	(4,263)
Household Hazard			
Cooperative School HHW Program	42,800	4,194	38,606

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2009
BUDGETARY BASIS

	<u>Budget</u>	<u>Actual</u>	Variance <u>Excess (Deficit)</u>
Employee Benefits			
Public Employees Retirement System	\$ 65,481	\$ 65,481	
Social Security	42,000	40,508	\$ 1,492
Unemployment Insurance	14,000	11,214	2,786
Workers Compensation	30,000	40,586	(10,586)
Health Insurance	94,000	104,866	(10,866)
Prescription/Vision Insurance	24,000	112,645	(88,645)
Accumulated Sick and Vacation	-	27,875	(27,875)
Dental Insurance	9,000	23,214	(14,214)
	<u>14,501,876</u>	<u>13,973,405</u>	<u>528,471</u>
Total Operating Appropriations			
Allocated Appropriations			
Inter-Department Costs			
Salaries and Wages	69,716	64,935	4,781
Fringe Benefits	51,388	63,117	(11,729)
Other Expenses	43,080	40,872	2,208
	<u>164,184</u>	<u>168,924</u>	<u>(4,740)</u>
Total Allocated Appropriations			
Total Appropriations	<u>14,666,060</u>	<u>14,142,329</u>	<u>523,731</u>
Budgetary Income (Loss)	<u>\$ -</u>	(184,598)	<u>\$ (1,232,060)</u>
Reconciliation to GAAP Basis:			
Adjustments			
Retained Earnings Appropriated		<u>(755,260)</u>	
Change in Net Assets		<u>\$ (939,858)</u>	

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
AS OF DECEMBER 31, 2009

	Self Insurance	Unemployment Insurance	Environmental Liability	Total
ASSETS				
Current Assets:				
Unrestricted Current Assets:				
Cash and Cash Equivalents	\$ 4,014,015	\$ 250,361	\$ 3,797,086	\$ 8,061,462
Accrued Interest Receivable	77,632	10	7,438	85,080
	4,091,647	250,371	3,804,524	8,146,542
Total Unrestricted Current Assets				
	\$ 4,091,647	\$ 250,371	\$ 3,804,524	\$ 8,146,542
LIABILITIES				
Current Liabilities (Payable from Unrestricted Assets)				
Accrued Liability for Insurance Claims	\$ 2,155,894			\$ 2,155,894
Claims Payable	432,985			432,985
Other Liabilities	-	\$ 100,534	-	100,534
	2,588,879	100,534	-	2,689,413
Total Current Liabilities Payable from Unrestricted Assets				
Non-Current Liabilities				
Post-Employment Benefits	3,626,946	-	-	3,626,946
	6,215,825	100,534	-	6,316,359
Total Liabilities				
NET ASSETS				
Unrestricted	(2,124,178)	149,837	\$ 3,804,524	1,830,183
	\$ (2,124,178)	\$ 149,837	\$ 3,804,524	\$ 1,830,183
Total Net Assets				

**THE BERGEN COUNTY UTILITIES AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Self Insurance	Unemployment Insurance	Environmental Liability	Total
OPERATING REVENUES				
Contributions - Enterprise Funds	\$ 5,321,606			\$ 5,321,606
Employer/Employee Contributions	-	\$ 38,433	-	38,433
Total Operating Revenues	5,321,606	38,433	-	5,360,039
OPERATING EXPENSES				
Insurance Claims	5,352,010			5,352,010
Post-Employment Benefits- Annual Required Contribution	1,086,288			1,086,288
Unemployment Claims	-	896	-	896
Total Operating Expenses	6,438,298	896	-	6,439,194
Operating Income (Loss)	(1,116,692)	37,537	-	(1,079,155)
NON-OPERATING REVENUES				
Investment Income	101,086	108	\$ 68,576	169,770
Total Non-Operating Income	101,086	108	68,576	169,770
Change in Net Assets	(1,015,606)	37,645	68,576	(909,385)
Total Net Assets, January 1, 2009	(1,108,572)	112,192	3,735,948	2,739,568
Total Net Assets, December 31, 2009	\$ (2,124,178)	\$ 149,837	\$ 3,804,524	\$ 1,830,183

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Self Insurance	Unemployment Insurance	Environmental Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 5,321,606	\$ 36,209		\$ 5,357,815
Cash Paid to Suppliers	(5,561,205)	(896)		(5,562,101)
Cash Paid for Salaries and Benefits	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>(239,599)</u>	<u>35,313</u>	<u>-</u>	<u>(204,286)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	<u>97,070</u>	<u>113</u>	<u>\$ 204,615</u>	<u>301,798</u>
Net Cash Provided by Investing Activities	<u>97,070</u>	<u>113</u>	<u>204,615</u>	<u>301,798</u>
Net Increase in Cash and Cash Equivalents	(142,529)	35,426	204,615	97,512
Cash and Cash Equivalents, January 1, 2009	<u>4,156,544</u>	<u>214,935</u>	<u>3,592,471</u>	<u>7,963,950</u>
Cash and Cash Equivalents, December 31, 2009	<u>\$ 4,014,015</u>	<u>\$ 250,361</u>	<u>\$ 3,797,086</u>	<u>\$ 8,061,462</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (1,116,692)	\$ 37,537	\$ -	\$ (1,079,155)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Increase/(Decrease) in Accounts Payable	-	(2,224)	-	(2,224)
Increase/(Decrease) in Accrued Expenses	(209,195)	-	-	(209,195)
Increase/(Decrease) in Post-Employment Benefits	<u>1,086,288</u>	<u>-</u>	<u>-</u>	<u>1,086,288</u>
Total Adjustments	<u>877,093</u>	<u>(2,224)</u>	<u>-</u>	<u>874,869</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (239,599)</u>	<u>\$ 35,313</u>	<u>\$ -</u>	<u>\$ (204,286)</u>

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

THE BERGEN COUNTY UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2009

<u>Authority Members</u>	<u>Position</u>	<u>Surety Coverage</u>
James Krone	Commissioner – Chairman	
Andrew “Chuck” Vaccaro	Commissioner – Vice-Chairman	
Bryan J. Christiansen	Commissioner	
James L. Cassella	Commissioner	
Nicholas Antonicello, Sr.	Commissioner	
Paul A. Juliano	Commissioner	
Ronald Phillips	Commissioner	
Richard D. Schooler	Commissioner	
Joel T. Thornton	Commissioner	
Richard Wierer	Acting Executive Director	
	Director of Solid Waste	
	Administration and Planning	
Maryann Lamber	Secretary	
Wallace Nowosielecki	Chief Financial Officer	(1)
Eric Andersen	Chief Engineer	
E. Neal Zimmerman, Esq.	General Counsel	
Alaimo Group	Consulting Engineers	

Surety Coverage

(1) Western Surety Company Bond No. 141834510 in the amount of \$500,000, 7/1/09-6/30/10.

Employee blanket bond issued by the Continental Insurance Company in the amount of \$250,000 covers all personnel of the Purchasing and Finance Departments.

GOVERNMENT AUDITING STANDARDS

AND

SINGLE AUDIT

LERCH, VINCI & HIGGINS, LLP

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

Honorable Chairman and Members of the Board
The Bergen County Utilities Authority
Little Ferry, New Jersey

We have audited the basic financial statements of The Bergen County Utilities Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated May 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Bergen County Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Bergen 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.

However, we noted certain other matters that we have reported to management of The Bergen County Utilities Authority in the Section of our report of audit entitled "General Comments and Recommendations".

This report is intended solely for the information and use of The Bergen County Utilities Authority board members, management, New Jersey State Department of Community Affairs and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 28, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable Chairman and Members of the
Board of Commissioners
The Bergen County Utilities Authority
Little Ferry, New Jersey

Compliance

We have audited the compliance of The Bergen County Utilities Authority with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the "New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement" that are applicable to each of its major federal and state programs for the year ended December 31, 2009. The Bergen County Utilities Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of The Bergen County Utilities Authority's management. Our responsibility is to express an opinion on The Bergen County Utilities Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about The Bergen County Utilities Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Bergen County Utilities Authority's compliance with those requirements.

In our opinion, The Bergen County Utilities Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of The Bergen County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered The Bergen County Utilities Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Bergen County Utilities Authority's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management, New Jersey Department of Community Affairs and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 28, 2010

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Federal Grant Program</u>	<u>Grant Period</u>	<u>CFDA</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2009</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2009</u>
United States Environmental Protection Agency								
Capitalization Grants for Clean Water	FFY98	66.468	\$ 359,381	\$ 359,381	\$ -	\$ 359,381	\$ 359,381	\$ -
State Revolving Funds	FFY00	66.468	278,093	278,093	278,093	278,093	278,093	-
	FFY03	66.468	625	625	625	625	625	-
	FFY03	66.468	199,027	199,027	199,027	199,027	199,027	-
	FFY08	66.468	8,832,805	8,832,805	-	8,832,805	8,832,805	-
					\$ -	\$ 9,669,931	\$ 9,669,931	\$ -

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2009

State Grant Program	Grant Number	Grant Period	Grant Award Amount	Cash Received	Balance, January 1, 2009	Adjustment	Revenue Realized	Expended	Balance, December 31, 2009	Cumulative Expenditures
New Jersey Department of Environmental Protection										
Solid Waste Administration	SWST-04	1/1/06-12/31/08	\$ 491,764				\$ 44,501	\$ 44,501	\$	\$ 491,764
Solid Waste Administration	SWST-05	1/1/07-12/31/09	562,260				406,697	406,697		499,331
Solid Waste Administration	SWST-06	1/1/08-12/31/10	540,998							
Solid Waste Administration	SWST-07	1/1/09-12/31/11	539,906							
Solid Waste Administration - REA	SWST-09	1/1/11-12/31/13	570,000	\$ 570,000			12,718	12,718		12,718
Solid Waste Administration - REA Bonus	SWST-09	1/1/11-12/31/13	389,500				83,698	83,698		83,698
Environmental Infrastructure Trust Loan Program:										
Fund	S-340-386-04/768-03	n/a	75,884,310	15,406,998			15,406,998	15,406,998		63,951,403
Trust				8,346,766		\$ 169,923	8,176,843	8,346,766		-
						\$ 169,923	\$ 24,131,455	\$ 24,301,378		\$ -

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 GENERAL

The accompanying schedule presents the activity of all federal awards and state financial assistance programs of The Bergen County Utilities Authority. The Authority is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from federal agencies, as well as federal and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule is presented using accrual basis of accounting for proprietary funds as presented by accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Authority's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial statements. Financial assistance is reported in the Authority's financial statements described above as follows:

	<u>Operating Revenue</u>	<u>Capital Expenditures</u>	<u>Total Assistance</u>
Solid Waste Management Enterprise Fund	\$ 547,614		\$ 547,614
Water Pollution Control Enterprise Fund	<u>-</u>	<u>\$ 33,253,772</u>	<u>33,253,772</u>
	<u>\$ 547,614</u>	<u>\$ 33,253,772</u>	<u>\$ 33,801,386</u>

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not necessarily agree with the amounts reported in the related state financial reports due to differences between the Authority's budgetary basis of accounting and accounting principles generally accepted in the United States of America (GAAP).

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 STATE LOANS OUTSTANDING

The Authority's state loans outstanding at December 31, 2009, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
NJ Economic Development Authority	N/A	<u>\$1,288,891</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Part I – Summary of Auditor’s Results

Financial Statement Section

- A) Type of auditors' report issued: Unqualified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? yes X no
- 2) Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X no
- C) Noncompliance material to basic financial statements noted? yes X no

Federal Awards Section

- D) Internal Control over major programs: _____
- 1) Material weakness(es) identified? yes X no
- 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none
- E) Type of auditors' report on compliance for major programs: Unqualified
- F) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a)) yes X no

- G) Identification of major programs:
- | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 66.468 | United States Environmental |
| _____ | Protection Agency - Capitalization Grants |
| _____ | for Clean Water State Revolving Funds |
| _____ | _____ |

- H) Dollar threshold used to determine Type A programs: \$300,000
- I) Auditee qualified as low-risk auditee?(1) yes X no

**THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
 FOR THE YEAR ENDED DECEMBER 31, 2009**

Part I – Summary of Auditor’s Results

State Awards

Dollar threshold used to distinguish type A and type B programs: \$ 729,041 _____

Auditee qualified as low-risk auditee? _____ yes X no

Type of auditors' report issued on compliance for major programs: Unqualified _____

Internal Control over major programs:

1) Material weakness (es) identified? _____ yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular Letter 04-04? _____ yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
S-340-386-04/768-03	NJ Environmental Infrastructure Trust Loan (NJ DEP)
SWST-04, SWST-05, SWST-09	NJ Department of Environmental Protection:
	Solid Waste Administration

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

THERE ARE NONE.

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

THERE ARE NONE.

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB Circular 04-04.

CURRENT YEAR STATE AWARDS

THERE ARE NONE.

**THE BERGEN COUNTY UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Not Applicable.

GENERAL COMMENTS AND RECOMMENDATIONS

Prior Year Findings Unresolved

Finding - The Authority contracts with a third party administrator (the "TPA") for the processing of their worker's compensation and medical benefits claims. The Authority's current contract with the TPA does not require that a Report on Internal Controls (SAS No. 70) be provided to the Authority on an annual basis.

Recommendation – Consideration be given to require the third party administrator to submit a Report on Internal Controls (SAS No. 70) on an annual basis.

Finding – The Authority does not always maintain on file a copy of the purchase order containing the approval signatures of the appropriate Authority official. In certain instances the copy is approved and available electronically, however, in some instances, the approved copy is mailed to the vendor. The Chief Financial Officer has represented that purchasing procedures have been revised and that signed and approved purchase orders are now being retained on file.

Recommendation – The Authority retain copies of the purchase order that contains the approval signature of Authority officials.

Current Year Findings

Finding – Certain bank accounts held by the Authority Trustee, have not been reported in the Authority's general ledger. The accounts pertain to the 2008 capital financing.

Recommendation – The general ledger report all transactions of their respective Trustee accounts.

Finding – The Authority contracts with a third party service organization for the processing of their payroll. The Authority's current contract with the organization has not been updated to comply with recent guidance provided by the Division of Local Government Services, Local Finance Notice 2009-18.

Recommendation – The Authority should review their contract with their third party service organization to ensure it is in compliance with guidance provided by the Division of Local Government Services.

Appreciation

We desire to express our appreciation to the Acting Executive Director, Chief Financial Officer and the other Authority staff who assisted us during the course of our audit.

* * * * *

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.



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