

THE BERGEN COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Bergen)

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2010

**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 years ended December 31, 2010 and 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.

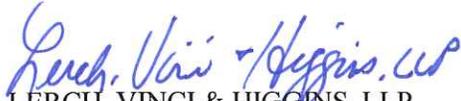
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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 audits provide 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, 2010 and 2009, and the changes in its financial position and its cash flows for the years 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 6, 2011 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 and other post-employment benefits plan – schedule of funding progress are 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 6, 2011

**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, 2010. 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 increased \$1,230,834 (1.7%).
- Cash and Investments decreased \$4,908,670
- Operating Revenues were \$76,709,582.
- Operating Expenses were \$68,194,964.
- Operating Income was \$8,514,618, as compared to the prior year operating income of \$6,766,279.

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.

Proprietary-type fund 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 Management Discussion and Analysis section includes a narrative regarding selected financial information from 2010 and 2009. The MD&A does not include reference to the 2008 financial statements due to management modifying the presentation of the various Authority Funds, which precludes consistent comparison of the Authority's financial statements.

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
ASSETS		
Current and Other Assets	\$ 82,273,875	\$ 98,984,231
Capital Assets	<u>278,545,252</u>	<u>271,819,281</u>
Total Assets	<u>360,819,127</u>	<u>370,803,512</u>
LIABILITIES		
Long-Term Liabilities	278,792,954	285,219,836
Other Liabilities	<u>10,505,568</u>	<u>14,970,905</u>
Total Liabilities	<u>289,298,522</u>	<u>300,190,741</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	42,442,969	41,824,381
Restricted	23,348,649	22,531,946
Unrestricted	<u>5,728,987</u>	<u>6,256,444</u>
Total Net Assets	<u>\$ 71,520,605</u>	<u>\$ 70,612,771</u>

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, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
REVENUES		
Program Revenues		
Charges for Services	\$ 76,709,582	\$ 77,718,732
Operating Grants and Contributions	692,760	547,614
Capital Grants and Contributions	2,599,757	
Investment Earnings	418,964	504,693
Total Revenues	<u>80,421,063</u>	<u>78,771,039</u>
EXPENSES		
Water Pollution Control	69,203,761	65,959,691
Solid Waste	10,309,468	14,324,206
Total Expenses	<u>79,513,229</u>	<u>80,283,897</u>
Changes in Net Assets	907,834	(1,512,858)
Net Assets, Beginning of Year	<u>70,612,771</u>	<u>72,125,629</u>
Net Assets, End of Year	<u>\$ 71,520,605</u>	<u>\$ 70,612,771</u>

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

OPERATING ACTIVITIES

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, 2010 and 2009

Water Pollution Control Fund

	<u>2010</u>	<u>2009</u>
Land and Land Improvements	\$ 2,515,837	\$ 2,515,837
Utility Plant and Infrastructure	360,163,625	270,754,671
Vehicles, Machinery and Equipment	118,118,244	121,645,967
Construction in Progress	<u>41,108,825</u>	<u>111,117,347</u>
Sub-Total	521,906,531	506,033,822
Less Accumulated Depreciation	<u>(243,361,279)</u>	<u>(234,214,541)</u>
Capital Assets, Net	<u>\$ 278,545,252</u>	<u>\$ 271,819,281</u>

The Authority sold the Solid Waste transfer station in 2002; consequently, no capital assets are reported in the Solid Waste Management Division in 2010 and 2009. Depreciation expense in the Water Pollution Control Division was \$10,662,362 and \$8,223,822 in 2010 and 2009, 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)

Long-Term Debt

The following table summarizes capital debt as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	% Change Increase (Decrease)
Water Pollution Control Fund			
Revenue Bonds Payable, Net	\$ 153,310,852	\$ 157,956,045	-5.3%
NJ EDA Loan Payable	966,668	1,288,891	-20.0%
NJ EIT Loan Payable, Net	<u>115,068,992</u>	<u>118,615,895</u>	-1.2%
	<u>\$ 269,346,512</u>	<u>\$ 277,860,831</u>	-3.7%

Additional information on the BCUA's long-term 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.

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BASIC FINANCIAL STATEMENTS

THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Unrestricted Current Assets:		
Cash and Cash Equivalents	\$ 21,916,355	\$ 20,796,176
Accrued Interest Receivable	-	147,844
Accounts Receivable - (net of allowance)	2,217,627	3,547,429
Inventory	3,530,721	3,514,739
Prepaid Items	<u>210,860</u>	<u>213,417</u>
Total Unrestricted Current Assets	<u>27,875,563</u>	<u>28,219,605</u>
Restricted Current Assets:		
Revenue Account		
Cash and Cash Equivalents	7,816	18,679
General Account		
Cash and Cash Equivalents	1,479	-
Bond Reserve Account		
Cash and Cash Equivalents	15,492,945	15,995,341
Accrued Interest Receivable	20,730	-
Bond Issuance Account		
Cash and Cash Equivalents	132,162	134,987
Construction Account		
Cash and Cash Equivalents	15,859,252	21,438,327
Accrued Interest Receivable	-	174
Renewal and Replacement Account		
Cash and Cash Equivalents	1,000,689	1,000,000
Accrued Interest Receivable		504
Unemployment Claims Account		
Cash and Cash Equivalents	187,574	149,837
Solid Waste Escrow		
Cash and Cash Equivalents	3,830,929	3,804,524
State Loans Receivable - NJEIT	<u>13,689,725</u>	<u>23,621,307</u>
Total Restricted Current Assets	<u>50,223,301</u>	<u>66,163,680</u>
Total Current Assets	<u>78,098,864</u>	<u>94,383,285</u>
Noncurrent Assets:		
Deferred Charges:		
Debt Issuance Costs (net of amortization)	<u>4,175,011</u>	<u>4,600,946</u>
Total Deferred Charges	<u>4,175,011</u>	<u>4,600,946</u>
Capital Assets:		
Land and Land Improvements	2,515,837	2,515,837
Utility Plant and Infrastructure	360,163,625	270,754,671
Vehicles, Machinery and Equipment	118,118,244	121,645,967
less: Accumulated Depreciation	(243,361,279)	(234,214,541)
Construction in Progress	<u>41,108,825</u>	<u>111,117,347</u>
Total Capital Assets (net of accumulated depreciation)	<u>278,545,252</u>	<u>271,819,281</u>
Total Noncurrent Assets	<u>282,720,263</u>	<u>276,420,227</u>
Total Assets	<u>\$ 360,819,127</u>	<u>\$ 370,803,512</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 1,465,307	\$ 3,008,684
Accrued Expenses	1,905,123	3,503,832
Accrued Compensated Absences	394,950	373,206
Unearned Revenue	2,224,156	2,006,916
Accrued Liability for Insurance Claims	2,123,911	2,155,894
Claims Payable	494,546	432,985
Other Liabilities	<u>72,400</u>	<u>100,534</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>8,680,393</u>	<u>11,582,051</u>
Current Liabilities (Payable from Restricted Assets)		
Revenue Bonds Payable, Current Portion	5,785,000	4,735,000
Loans Payable, Current Portion	6,683,781	6,521,841
Accrued Interest Payable	910,366	915,607
Contracts Payable	<u>1,309,759</u>	<u>2,846,453</u>
Total Current Liabilities Payable from Restricted Assets	<u>14,688,906</u>	<u>15,018,901</u>
Non-Current Liabilities		
Revenue Bonds Payable	147,525,852	153,221,045
Loans Payable	109,351,879	113,382,945
Accrued Compensated Absences	3,554,528	3,358,853
Post-Employment Benefits	<u>5,496,964</u>	<u>3,626,946</u>
Total Non-Current Liabilities	<u>265,929,223</u>	<u>273,589,789</u>
Total Liabilities	<u>289,298,522</u>	<u>300,190,741</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	42,442,969	41,824,381
Restricted For:		
Operating Reserve	694,730	-
Debt Service	2,900,614	2,842,783
Debt Reserve	14,734,802	14,734,802
Renewal and Replacement	1,000,000	1,000,000
Solid Waste Escrow	3,830,929	3,804,524
Unemployment Insurance	187,574	149,837
Unrestricted	<u>5,728,987</u>	<u>6,256,444</u>
Total Net Assets	<u>\$ 71,520,605</u>	<u>\$ 70,612,771</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
User Charges and Fees	\$ 67,904,730	\$ 68,501,223
Miscellaneous	<u>8,804,852</u>	<u>9,217,509</u>
Total Operating Revenues	<u>76,709,582</u>	<u>77,718,732</u>
OPERATING EXPENSES		
Allocated Administration	5,196,816	5,312,947
Cost of Operations	45,483,171	50,976,490
Insurance Claims	4,982,280	5,352,010
Post-Employment Benefits- Annual Required Contribution	1,870,018	1,086,288
Unemployment Claims	317	896
Depreciation	<u>10,662,362</u>	<u>8,223,822</u>
Total Operating Expenses	<u>68,194,964</u>	<u>70,952,453</u>
OPERATING INCOME	<u>8,514,618</u>	<u>6,766,279</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	418,964	504,693
Interest Expense	(8,690,786)	(7,679,221)
Other Non-Operating Revenues (Expense)	94,387	(545,822)
Amortization of Costs of Issuance	(487,490)	(509,756)
Loss on Sale and Disposal of Assets	(2,234,376)	-
Intergovernmental Grants	<u>3,292,517</u>	<u>547,614</u>
Total Non-Operating Income (Expenses)	<u>(7,606,784)</u>	<u>(7,682,492)</u>
INCOME(LOSS) BEFORE EXTRAORDINARY ITEMS	907,834	(916,213)
EXTRAORDINARY ITEMS		
Abandoned Capital Projects	<u>-</u>	<u>(596,645)</u>
CHANGE IN NET ASSETS	907,834	(1,512,858)
Total Net Assets, January 1,	70,612,771	72,551,920
Prior Period Adjustment	<u>-</u>	<u>(426,291)</u>
Total Net Assets, January 1, as restated	<u>70,612,771</u>	<u>72,125,629</u>
Total Net Assets, December 31	<u>\$ 71,520,605</u>	<u>\$ 70,612,771</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 78,038,541	\$ 77,170,536
Cash Paid to Suppliers	(35,867,176)	(37,149,807)
Cash Paid for Salaries and Benefits	(22,731,214)	(22,877,814)
	<u>19,440,151</u>	<u>17,142,915</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Intergovernmental Grants	<u>3,509,757</u>	<u>547,614</u>
	<u>3,509,757</u>	<u>547,614</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
NJ EIT Loan Proceeds	12,585,399	32,586,569
Principal Payment - Revenue Bonds	(4,735,000)	(9,025,000)
Principal Payment- Loans	(6,521,841)	(1,681,970)
Non-Capitalized Construction Expenses	-	(47,973)
Acquisition of Capital Assets	(21,054,191)	(39,564,206)
Interest Paid - Bonds, Notes and Leases	(8,715,980)	(7,207,023)
	<u>(28,441,613)</u>	<u>(24,939,603)</u>
Net Cash (Used for) Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale/Maturity of Investments	-	2,057,841
Interest and Dividends Received	<u>583,035</u>	<u>733,468</u>
	<u>583,035</u>	<u>2,791,309</u>
Net Cash Provided by Investing Activities		
Net (Decrease) in Cash and Cash Equivalents	(4,908,670)	(4,457,765)
Cash and Cash Equivalents, January 1	63,337,871	68,521,365
Prior Period Adjustment	<u>-</u>	<u>(725,729)</u>
Cash and Cash Equivalents, January 1, as restated	<u>63,337,871</u>	<u>67,795,636</u>
Cash and Cash Equivalents, December 31,	<u>\$ 58,429,201</u>	<u>\$ 63,337,871</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Equivalents	\$ 21,916,355	\$ 20,796,176
Restricted - Cash and Equivalents	<u>36,512,846</u>	<u>42,541,695</u>
	<u>\$ 58,429,201</u>	<u>\$ 63,337,871</u>

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	\$ 8,514,618	\$ 6,766,279
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	10,662,362	8,223,822
Provision for Uncollectible Accounts	-	(280,857)
(Increase)/Decrease in Accounts Receivable	1,329,802	(677,001)
(Increase)/Decrease in Inventory	(15,983)	(16,882)
(Increase)/Decrease in Prepaid Expenses	2,557	2,273
Increase/(Decrease) in Accounts Payable	(1,543,377)	191,989
Increase/(Decrease) in Accrued Expenses	(1,598,709)	964,477
Increase/(Decrease) in Accrued Compensated Absences	217,419	372,629
Increase/(Decrease) in Post-Employment Benefits	1,870,018	1,086,288
Increase/(Decrease) in Other Liabilities	(28,134)	411,886
Increase/(Decrease) in Claims Payable	61,561	
Increase/(Decrease) in Accrued Liability for Insurance Claims	(31,983)	
(Increase)/Decrease in Other Assets	-	98,012
Total Adjustments	<u>10,925,533</u>	<u>10,376,636</u>
Net Cash Provided by Operating Activities	<u>\$ 19,440,151</u>	<u>\$ 17,142,915</u>
Noncash Investing, Capital and Financing Activities:		
Purchase of Capital Assets on Account	\$ 1,309,759	\$ 2,764,649
Original Issue Discount	2,127	2,126
Original Issue Premium	(517,988)	(539,472)
Deferred Loss on Refunding	543,012	645,623

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NOTES TO BASIC FINANCIAL STATEMENTS

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 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 YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Authority has two major funds that are grouped into one general fund, 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 a water pollution control enterprise fund and a solid waste management enterprise fund.

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are 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 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 are charges to customers for services. Operating expenses for enterprise funds 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.

C. 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. In addition, certain operating account investments are limited by NJSA 40A:5-15.1 et seq.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

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.

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 eliminated.

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 as amended and supplemented thereto.

7. *Capital Assets*

All capital assets acquired or constructed by the Authority are reported in the 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

7. *Capital Assets* (Continued)

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>
Land 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 miscellaneous costs. These expenses are deferred and amortized over the respective lives of the debt.

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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 Enterprise Fund. Included within the budgets are individual projects along with their estimated cost, completion date and source of funding.

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 cancelled. 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 reappropriations.

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) Bond Reserve Fund (Restricted)
- F) Renewal and Replacement Fund (Restricted)
- G) Subordinated Indebtedness Fund (Restricted)
- H) General Fund (Restricted)
- I) Construction Fund (Restricted)
- J) Rebate 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 BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 3 CREATION OF FUNDS (Continued)

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 and accruing during the current fiscal year on outstanding bonds.

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 which is, an amount equal to the maximum annual debt service on outstanding bonds, exclusive of the subordinated indebtedness.

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, 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.

Rebate Account - To account for financial resources and payments as determined by the Authority for interest earnings which are subject to arbitrage rebate to the United States Government.

On February 14, 2002, the Authority entered into a Memorandum of Understanding ("MOU") with the County of Bergen to defease certain outstanding debt of the Authority. In accordance with the MOU, the Authority was required to establish a *Solid Waste Escrow Fund*, which will include two sub-accounts. Sub-Account A will finance expenses comprised of \$3 million for environmental liabilities relating to the Authority's use and/or operation of the Kingsland Park Sanitary Landfill on the transfer station; Sub-Account B will finance expenses comprised of \$1,440,000 for long-term Authority employee benefits, including retiree benefits.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds or \$200 million 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 \$250,000 for each failed brokerage firm. At December 31, 2010 and 2009, the book value of the Authority's deposits was \$39,556,714 and \$49,897,599 and bank balances of the Authority's cash and deposits amounted to \$40,667,012 and \$51,109,973, respectively.

The Authority’s deposits which are displayed on the statement of net assets as "cash and cash equivalents" are categorized as:

	<u>Bank Balance</u>	
<u>Depository Account</u>	<u>2010</u>	<u>2009</u>
Insured	\$ 40,231,919	\$ 50,675,981
Uninsured and Collateralized	<u>435,093</u>	<u>433,992</u>
	<u>\$ 40,667,012</u>	<u>\$ 51,109,973</u>

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 have a formal policy for custodial credit risk. As of December 31, 2010 and 2009, the Authority’s bank balance of \$435,093 and \$433,992 were exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2010</u>	<u>2009</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority's name	<u>\$ 435,093</u>	<u>\$ 433,992</u>

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, unemployment insurance and solid waste escrow accounts, 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 various Bond Resolution.

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”);

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- 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;
- 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 "AAA-m" or "AAA-m-G" by Standard & Poor's Corporation.
- 8) Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMCs 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

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- 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 Authority is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include but are not limited to, bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds.

As of December 31, 2010 and 2009, the Authority had the following investments:

	<u>Fair and Reported Value</u>	
	<u>2010</u>	<u>2009</u>
<u>Investment:</u>		
U.S. Government Securities - Money Market Funds	<u>\$ 18,872,487</u>	<u>\$ 13,440,272</u>
Cash and Cash Equivalents	<u>\$ 18,872,487</u>	<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 have a policy for custodial risk. As of December 31, 2010 and 2009 \$18,472,487 and \$13,440,272 of the Authority's investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2010</u>	<u>2009</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority name	<u>\$ 18,472,487</u>	<u>\$ 13,440,272</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk – The Authority does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The Authority places no limit in the amount the Authority may invest in any one issuer. 100% of the Authority's investments are in U.S. Government Security Funds.

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 "Bond Issuance Fund" account segregates funds that are to be used to pay for various professional and miscellaneous costs incurred with the issuance of Authority debt.
- The "Construction Fund" account segregates cash and investments that are restricted for use in construction.
- 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.
- The "General Fund" is used to account for the accumulation of resources resulting from excess monies which are not required to be maintained in any of the above funds.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2010 and 2009:

	Balance, January 1, <u>2010</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2010</u>
Land and Land Improvements	\$ 2,515,837			\$ 2,515,837
Utility Plant and Infrastructure	270,754,671	\$ 89,408,954		360,163,625
Vehicles, Machinery and Equipment	121,645,967	222,277	\$ 3,750,000	118,118,244
Construction in Progress	<u>111,117,347</u>	<u>19,400,431</u>	<u>89,408,953</u>	<u>41,108,825</u>
	506,033,822	109,031,662	93,158,953	521,906,531
Less Accumulated Depreciation	<u>(234,214,541)</u>	<u>(10,662,362)</u>	<u>1,515,624</u>	<u>(243,361,279)</u>
Capital Assets, Net	<u>\$ 271,819,281</u>	<u>\$ 98,369,300</u>	<u>\$ 91,643,329</u>	<u>\$ 278,545,252</u>
	Balance, January 1, <u>2009</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2009</u>
Land and Land 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>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 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 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, 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. On November 8, 2010 Ambac Financial Group, Inc. filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. As of the date of this report, it is uncertain if, in the event of a default, whether Ambac would be able to meet its obligations pursuant to its municipal bond insurance policies issued concurrently with these issues. 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.

Revenue Bonds outstanding at December 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Water Pollution Control Revenue Bonds, Series 1992B, Term Bonds, 6.00% due December 15, 2013	\$ 105,000	\$ 105,000
5.50% due December 15, 2016	4,975,000	4,975,000
Water Pollution Control Revenue Bonds, Series 2001A, Serial Bonds, 3.50% to 5.375% due December 15, 2010 to 2014	4,260,000	5,560,000
Water Pollution Control Revenue Bonds, Series 2004A, Serial Bonds, 3.00% to 5.00% due December 15, 2010 to 2021	6,515,000	6,980,000
Water Pollution Control Subordinated ERI Refunding Bonds, (Federally Taxable, Series 2004B) 5.75% due December 15, 2010 to 2014	810,000	970,000
Water Pollution Control Revenue Bonds, Series 2005A, 3.25% to 5.00%, due December 15, 2010 to 2013	3,365,000	4,465,000
Water Pollution Control Revenue Bonds, Series 2006A, 4.00% to 5.00%, due December 15, 2010 to 2031	25,630,000	25,985,000
Water Pollution Control BCIA Refunding Bonds, Series 2007A, 4.00%, due December 15, 2018 to 2021	31,855,000	31,855,000

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

	<u>2010</u>	<u>2009</u>
Water Pollution Control BCIA Refunding Bonds, Series 2007B, 4.00% to 5.00%, due December 15, 2010 to 2017	\$ 29,040,000	\$ 29,740,000
Water Pollution Control System Acquisition Revenue Bonds, Series 2007, 4.00% to 5.00%, due December 15, 2010 to 2027	17,135,000	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>	<u>29,600,000</u>
Total Revenue Bonds Payable	<u>\$ 153,290,000</u>	<u>\$ 158,025,000</u>

The Authority has entered into several loan agreements with the State of New Jersey for the financing relating to various wastewater projects. The Authority pledges revenue from operations to pay debt service on loans issued. Intergovernmental loans outstanding at December 31 are as follows:

	<u>2010</u>	<u>2009</u>
New Jersey Economic Development Authority Loans, Interest Free	\$ 966,668	\$ 1,288,891
New Jersey Environmental Infrastructure Trust		
Trust Loan, Series 2005	3,655,000	3,820,000
Fund Loan, Series 2005	9,190,335	9,799,718
Trust Loan, Series 2006	20,045,000	20,885,000
Fund Loan, Series 2006	51,762,953	54,999,310
Trust Loan, Series 2007	385,000	400,000
Fund Loan, Series 2007	1,013,417	1,073,095
Trust Loan, Series 2008	6,920,000	7,150,000
Fund Loan, Series 2008	18,856,380	19,900,580
Trust Loan, Series 2010	1,320,000	
Fund Loan, Series 2010	<u>1,299,878</u>	<u>-</u>
Total Loans Payable	<u>\$ 115,414,631</u>	<u>\$ 119,316,594</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities (Continued)

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 years ended December 31, 2010 and 2009 was as follows:

	Balance, January 1, 2010	Additions	Reductions	Balance, December 31, 2010	Due Within One Year
Revenue Bonds					
Serial Bonds	\$ 152,945,000		\$ 4,735,000	\$ 148,210,000	\$ 5,785,000
Term Bonds	5,080,000			5,080,000	
Add: Unamortized Premium-Bonds	2,909,282		455,332	2,453,950	
Less: Unamortized Discount	(12,671)		(2,127)	(10,544)	
Unamortized Loss on Refunding	<u>(2,965,566)</u>	-	<u>(543,012)</u>	<u>(2,422,554)</u>	-
Total Revenue Bonds - Net	<u>157,956,045</u>	-	<u>4,645,193</u>	<u>153,310,852</u>	<u>5,785,000</u>
Loans Payable					
NJ EDA Loan Payable	1,288,891		322,223	966,668	322,222
NJ EIT Loan Payable	118,027,703	\$ 2,619,878	6,199,618	114,447,963	6,361,559
Add: Unamortized Premium	<u>588,192</u>	<u>95,493</u>	<u>62,656</u>	<u>621,029</u>	-
Total Loans Payable - Net	<u>119,904,786</u>	<u>2,715,371</u>	<u>6,584,497</u>	<u>116,035,660</u>	<u>6,683,781</u>
Accrued Compensated Absences	3,732,059	217,419		3,949,478	394,950
Post-Retirement Benefits	<u>3,626,946</u>	<u>1,870,018</u>	-	<u>5,496,964</u>	-
Total Long-Term Liabilities, Net	<u>\$ 285,219,836</u>	<u>\$ 4,802,808</u>	<u>\$ 11,229,690</u>	<u>\$ 278,792,954</u>	<u>\$ 12,863,731</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance, January 1, 2009	Additions	Reductions	Balance, December 31, 2009	Due Within One Year
Revenue Bonds					
Serial Bonds	\$ 161,970,000		\$ 9,025,000	\$ 152,945,000	\$ 4,735,000
Term Bonds	5,080,000	-	-	5,080,000	-
Add: Unamortized Premium	3,395,877	-	486,595	2,909,282	
Less: Unamortized Discount	(14,797)	-	(2,126)	(12,671)	
Unamortized Loss on Refunding	(3,611,189)	-	(645,623)	(2,965,566)	-
Total Revenue Bonds - Net	<u>166,819,891</u>	<u>-</u>	<u>8,863,846</u>	<u>157,956,045</u>	<u>4,735,000</u>
Loans Payable					
NJ EDA Loan Payable	1,611,113		322,222	1,288,891	322,223
NJ EIT Loan Payable	119,387,451	-	1,359,748	118,027,703	6,199,618
Add: Unamortized Premium	641,069	-	52,877	588,192	-
Total Loans Payable - Net	<u>121,639,633</u>	<u>-</u>	<u>1,734,847</u>	<u>119,904,786</u>	<u>6,521,841</u>
Accrued Compensated Absences	3,359,430	\$ 372,629	-	3,732,059	373,206
Post-Employment Benefits	2,540,658	1,086,288	-	3,626,946	-
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>	<u>\$ 11,630,047</u>

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2010 and 2009 is as follows:

Year Ending December 31,	Revenue Bonds		Loans Payable		Total
	Principal	Interest	Principal	Interest	
2011	\$ 5,785,000	\$ 7,024,031	\$ 6,683,781	\$ 1,482,474	\$ 20,975,286
2012	6,615,000	6,790,131	6,757,096	1,415,174	21,577,401
2013	7,890,000	6,508,236	6,835,099	1,344,664	22,577,999
2014	8,570,000	6,132,843	6,593,978	1,270,389	22,567,210
2015	8,990,000	5,710,860	6,673,053	1,192,419	22,566,332
2016-2020	52,020,000	21,575,999	34,540,399	4,753,519	112,889,917
2021-2025	28,060,000	11,597,986	36,800,240	2,494,844	78,953,070
2026-2030	20,435,000	6,348,469	10,530,985	279,263	37,593,717
2031-2035	10,980,000	2,213,100			13,193,100
2036-2037	3,945,000	268,200	-	-	4,213,200
	<u>\$ 153,290,000</u>	<u>\$ 74,169,855</u>	<u>\$ 115,414,631</u>	<u>\$ 14,232,746</u>	<u>\$ 357,107,232</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 8 ACCOUNTS AND LOAN RECEIVABLES

Accounts receivable at December 31, 2010 and 2009, including the applicable allowance for doubtful accounts, consisted of the following:

	Water Pollution Control	Solid Waste Management	Total
<u>December 31, 2010</u>			
Accounts Receivables	\$ 1,194,591	\$ 2,036,077	\$ 3,230,668
State Loan Receivable	13,689,725		13,689,725
Less: Allowance for Doubtful Accounts	<u>(1,013,041)</u>	<u>-</u>	<u>(1,013,041)</u>
Accounts Receivable (Net)	<u>\$ 13,871,275</u>	<u>\$ 2,036,077</u>	<u>\$ 15,907,352</u>
	Water Pollution Control	Solid Waste Management	Total
<u>December 31, 2009</u>			
Accounts Receivables	\$ 1,241,041	\$ 3,319,429	\$ 4,560,470
State Loan Receivable	23,621,307		23,621,307
Less: Allowance for Doubtful Accounts	<u>(1,013,041)</u>	<u>-</u>	<u>(1,013,041)</u>
Accounts Receivable (Net)	<u>\$ 23,849,307</u>	<u>\$ 3,319,429</u>	<u>\$ 27,168,736</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 uncertainty of its collectibility. 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 as of that the current cost of such unpaid compensation and salary related payments would approximate \$3,949,478 and \$3,732,059 December 31, 2010 and 2009, respectively. Of this amount \$394,950 and \$373,206 is accrued as a current liability and \$3,554,528 and \$3,358,853 is reported as a long-term liability as of December 31, 2010 and 2009, respectively.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 CONSTRUCTION COMMITMENTS

As of December 31, 2010, the Authority had the following commitments with respect to unfinished capital projects:

<u>Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
Northern Valley Forcemain Rehabilitation - Phase IV	\$ 137,075	2011
Overpeck Valley Sewer Relief Project:		
Ridgefield Park/Palisades Park	454,632	2011
Palisades Park/Leonia	20,000	2011
Sludge Thickening/Dewatering Improvements	570,619	2011
BCUA Flow Monitoring System	160,403	2011
Flares and Equipment for Holding Tanks	438,489	2011
Warehouse Fire Pump System	32,753	2011
Secondary Sludge Pumping Station No. 2 Improvements	100,515	2011
Edgewater Water Pollution Control Facility Automation Upgrades	868,616	2011
Roof Replacement	37,120	2011
Upgrade Existing BCUA Edgewater Meter Chamber	23,717	2011
Replacement and Repairs to Aeration - Tank Walkways	112,500	2011
Rehabilitation of Barge Docking Facilities	1,992,352	2011

NOTE 11 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, 2010 and 2009 are as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
	<u>Water Pollution Control</u>	<u>Water Pollution Control</u>
<u>Bond Service Fund</u>		
Required Balances	\$ 2,900,614	\$ 2,842,783
Cash and Investments	-	-
(Deficit)	<u>\$ (2,900,614)</u>	<u>\$ (2,842,783)</u>
<u>Bond Reserve Fund</u>		
Required Balances	\$ 14,734,802	\$ 14,734,802
Cash and Investments	15,492,945	15,995,341
Excess Funds	<u>\$ 758,143</u>	<u>\$ 1,260,539</u>
<u>Renewal and Replacement Fund</u>		
Required Balances	\$ 1,000,000	\$ 1,000,000
Cash and Investments	1,000,689	1,000,000
Excess Funds	<u>\$ 689</u>	<u>\$ -</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 11 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS

Operating Reserve – Under the provisions of the Bond Resolution, the Authority is permitted to reserve in the Operating Fund an amount estimated to be necessary for operating expenses which is consistent with the annual budget for the one month period commencing on the first day of each calendar month during the year. Such amount must be on deposit for operating expenses along with the required balances for the Bond Service Fund, Sinking Fund, Bond Reserve Fund, Renewal and Replacement Fund and Subordinated Indebtedness Fund. As of December 31, 2010 and 2009, the net amounts available for the Operating Reserve were \$694,730 and \$-0-, respectively. These amounts are less than the one month annual budgeted operating expenses permitted to be reserved under the provisions of the Bond Resolution.

NOTE 12 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.

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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System is 72.1 percent and \$15.1 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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, 2009 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 PERS; and (2) 5.45 percent for projected salary increases for PERS systems.

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 various retirement systems require employee contributions based on 5.50% for PERS of employees' annual compensation.

Annual Pension Cost (APC)

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, 2010 and 2009, 2008, 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>
2010	\$954,612
2009	829,425
2008	788,297

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Authority provides a post employment healthcare plan for its eligible retirees and their dependents (as defined by the Authority). 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 eligible retirees after completion of twenty-five years of service with the Authority.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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 years 2010 and 2009, the Authority contributed \$1,734,269 and \$1,256,902, respectively 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	\$ 2,893,445
Interest on Net OPEB Obligation	217,617
Adjustment to Annual Required Contribution	<u>493,225</u>
Annual OPEB Cost (Expense)	3,604,287
Contributions Made	<u>(1,734,269)</u>
Increase in Net OPEB Obligation	1,870,018
Net OPEB Obligation - Beginning of Year	<u>3,626,946</u>
Net OPEB Obligation - End of Year	<u>\$ 5,496,964</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2010, 2009 and 2008 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligations</u>
2010	\$3,604,287	48.08%	\$5,496,964
2009	\$2,343,190	53.64%	3,626,946
2008	2,875,130	19.62%	2,540,658

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The projected actuarial accrued liability for benefits was \$69,254,121. The Authority has no plan assets, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$69,254,121. The covered payroll (annual payroll of active employees covered by the plan) was \$13,749,654, and the ratio of the projected UAAL to the covered payroll was 503.7 percent.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

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.

In the December 31, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 percent discount rate. The UAAL is being amortized as a level percentage of projected payroll over 30 years. The remaining amortization period at December 31, 2010 was twenty-six years.

NOTE 14 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 Authority retains risk of workmen's compensation, employee benefits and residual environmental liability of the Kingsland Park Sanitary Landfill. The Authority has a solid waste escrow account to fund any environmental liabilities of this 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 14 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

Estimates of claims payable and of claims incurred, but not reported at December 31, 2010 and 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 \$2,618,457 and \$2,588,879 reported at December 31, 2010 and 2009, respectively, 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 years ended December 31, 2010 and 2009 and 2008 are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unpaid Claims, January 1	\$ 2,588,879	\$ 2,798,074	\$ 1,893,179
Incurred Claims	4,982,280	5,352,010	5,696,872
Less Claim Payments	<u>(4,952,702)</u>	<u>(5,561,205)</u>	<u>(4,791,977)</u>
Unpaid Claims, December 31	<u>\$ 2,618,457</u>	<u>\$ 2,588,879</u>	<u>\$ 2,798,074</u>

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2010	\$ 37,839	\$ 317	\$ 187,574
2009	38,433	896	149,837
2008	34,407	870	112,192

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 14 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 a Solid Waste Escrow Fund. Of this 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.

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 would not materially affect the financial condition of the Authority.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 14 OTHER INFORMATION (Continued)

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, 2010 and 2009, the Authority had no estimated arbitrage earnings due to the IRS.

NOTE 15 PRIOR PERIOD ADJUSTMENT

It was noted that the Authority has accrued interest earned with their EIT loans, which was understated in the prior year's audit. In addition, it was noted that a certificate of deposit of \$800,000 in the Construction Fund was reported by the Authority Trustee twice.

The total amount of the combined adjustments was \$426,291.

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REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**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 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, 2010	-	\$ 69,254,121	\$ 69,254,121	0%	\$ 13,749,654	503.7%
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>
2010	\$ 3,604,287	48.08%
2009	2,343,190	53.64%
2008	2,540,658	19.62
2007	361,263	100

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SUPPLEMENTARY SCHEDULES

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2010

	Water Pollution Control	Solid Waste Management	Total
ASSETS			
Current Assets:			
Unrestricted Current Assets:			
Cash and Cash Equivalents	\$ 14,201,658	\$ 7,714,697	\$ 21,916,355
Accounts Receivable - (net of allowance)	181,550	2,036,077	2,217,627
Internal Balances	(212,000)	212,000	
Inventory	3,530,721		3,530,721
Prepaid Items	190,774	20,086	210,860
	<u>17,892,703</u>	<u>9,982,860</u>	<u>27,875,563</u>
Total Unrestricted Current Assets			
Restricted Current Assets:			
Revenue Account			
Cash and Cash Equivalents	7,816		7,816
General Account			
Cash and Cash Equivalents	1,479		1,479
Bond Reserve Account			
Cash and Cash Equivalents	15,492,945		15,492,945
Accrued Interest Receivable	20,730		20,730
Bond Issuance Account			
Cash and Cash Equivalents	132,162		132,162
Construction Account			
Cash and Cash Equivalents	15,859,252		15,859,252
Renewal and Replacement Account			
Cash and Cash Equivalents	1,000,689		1,000,689
Unemployment Insurance Account			
Cash and Cash Equivalents	181,947	5,627	187,574
Solid Waste Escrow			
Cash and Cash Equivalents		3,830,929	3,830,929
State Loans Receivable - NJET	13,689,725	-	13,689,725
	<u>46,386,745</u>	<u>3,836,556</u>	<u>50,223,301</u>
Total Restricted Current Assets			
	<u>64,279,448</u>	<u>13,819,416</u>	<u>78,098,864</u>
Total Current Assets			
Noncurrent Assets:			
Deferred Charges:			
Debt Issuance Costs (net of amortization)	4,175,011	-	4,175,011
	<u>4,175,011</u>	<u>-</u>	<u>4,175,011</u>
Total Deferred Charges			
Capital Assets:			
Land and Land Improvements	2,515,837		2,515,837
Utility Plant and Infrastructure	360,163,625		360,163,625
Vehicles, Machinery and Equipment	118,118,244		118,118,244
less: Accumulated Depreciation	(243,361,279)		(243,361,279)
Construction in Progress	41,108,825	-	41,108,825
	<u>278,545,252</u>	<u>-</u>	<u>278,545,252</u>
Total Capital Assets (Net of Accumulated Depreciation)			
	<u>282,720,263</u>	<u>-</u>	<u>282,720,263</u>
Total Noncurrent Assets			
	<u>\$ 346,999,711</u>	<u>\$ 13,819,416</u>	<u>\$ 360,819,127</u>

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2010

	<u>Business-Type Activities- Enterprise Funds</u>		
	Water Pollution	Solid Waste	
	<u>Control</u>	<u>Management</u>	<u>Total</u>
LIABILITIES			
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable	\$ 1,244,552	\$ 220,755	\$ 1,465,307
Accrued Expenses	471,516	1,433,607	1,905,123
Accrued Compensated Absences	381,978	12,972	394,950
Unearned Revenue		2,224,156	2,224,156
Accrued Liability for Insurance Claims	2,060,194	63,717	2,123,911
Claims Payable	479,710	14,836	494,546
Other Liabilities	<u>70,228</u>	<u>2,172</u>	<u>72,400</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>4,708,178</u>	<u>3,972,215</u>	<u>8,680,393</u>
Current Liabilities (Payable from Restricted Assets)			
Revenue Bonds Payable, Current Portion	5,785,000		5,785,000
Loans Payable, Current Portion	6,683,781		6,683,781
Accrued Interest Payable	910,366		910,366
Contracts Payable	<u>1,309,759</u>	<u>-</u>	<u>1,309,759</u>
Total Current Liabilities Payable from Restricted Assets	<u>14,688,906</u>	<u>-</u>	<u>14,688,906</u>
Non-Current Liabilities			
Revenue Bonds Payable	147,525,852		147,525,852
Loans Payable	109,351,879		109,351,879
Accrued Compensated Absences	3,437,779	116,749	3,554,528
Post-Employment Benefits	<u>5,332,055</u>	<u>164,909</u>	<u>5,496,964</u>
Total Non-Current Liabilities	<u>265,647,565</u>	<u>281,658</u>	<u>265,929,223</u>
Total Liabilities	<u>285,044,649</u>	<u>4,253,873</u>	<u>289,298,522</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	42,442,969		42,442,969
Restricted For:			
Operating Reserve	694,730		694,730
Debt Service	2,900,614		2,900,614
Debt Reserve	14,734,802		14,734,802
Renewal and Replacement	1,000,000		1,000,000
Solid Waste Escrow		3,830,929	3,830,929
Unemployment Insurance	181,947	5,627	187,574
Unrestricted	<u>-</u>	<u>5,728,987</u>	<u>5,728,987</u>
Total Net Assets	<u>\$ 61,955,062</u>	<u>\$ 9,565,543</u>	<u>71,520,605</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Water Pollution Control	Solid Waste Management	Total
OPERATING REVENUES			
User Charges and Fees	\$ 59,507,337	\$ 8,397,393	\$ 67,904,730
Miscellaneous	8,610,896	193,956	8,804,852
Total Operating Revenues	<u>68,118,233</u>	<u>8,591,349</u>	<u>76,709,582</u>
OPERATING EXPENSES			
Allocated Administration	5,018,640	178,176	5,196,816
Cost of Operations	35,557,457	9,925,714	45,483,171
Insurance Claims	4,832,813	149,467	4,982,280
Post-Employment Benefits- Annual Required Contribution	1,813,917	56,101	1,870,018
Unemployment Claims	307	10	317
Depreciation	10,662,362	-	10,662,362
Total Operating Expenses	<u>57,885,496</u>	<u>10,309,468</u>	<u>68,194,964</u>
OPERATING INCOME (LOSS)	<u>10,232,737</u>	<u>(1,718,119)</u>	<u>8,514,618</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	323,559	95,405	418,964
Interest Expense	(8,690,786)		(8,690,786)
Other Non-Operating Expense	94,387		94,387
Loss on Sale and Disposal of Assets	(2,234,376)		(2,234,376)
Amortization of Costs of Issuance	(487,490)		(487,490)
Intergovernmental Grants	2,599,757	692,760	3,292,517
Total Non-Operating Income (Expenses)	<u>(8,394,949)</u>	<u>788,165</u>	<u>(7,606,784)</u>
CHANGE IN NET ASSETS	1,837,788	(929,954)	907,834
Total Net Assets, January 1, 2010	<u>60,117,274</u>	<u>10,495,497</u>	<u>70,612,771</u>
Total Net Assets, December 31, 2010	<u>\$ 61,955,062</u>	<u>\$ 9,565,543</u>	<u>\$ 71,520,605</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Water Pollution Control	Solid Waste Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 68,160,533	\$ 9,878,008	\$ 78,038,541
Cash Paid to Suppliers	(24,602,594)	(10,941,582)	(35,544,176)
Cash Paid for Salaries and Benefits	(21,783,751)	(947,463)	(22,731,214)
Net Cash Provided by (Used for) Operating Activities	<u>21,774,188</u>	<u>(2,011,037)</u>	<u>19,763,151</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Intergovernmental Grants	<u>2,599,757</u>	<u>910,000</u>	<u>3,509,757</u>
Net Cash Provided by Non-Capital Financing Activities	<u>2,599,757</u>	<u>910,000</u>	<u>3,509,757</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
NJ EIT Loan Proceeds	12,585,399		12,585,399
Principal Payment - Revenue Bonds	(4,735,000)		(4,735,000)
Principal Payment- Loans	(6,521,841)		(6,521,841)
Acquisition of Capital Assets	(21,054,191)		(21,054,191)
Interest Paid - Bonds, Notes and Leases	(8,715,980)	-	(8,715,980)
Net Cash (Used for) Capital and Related Financing Activities	<u>(28,441,613)</u>	<u>-</u>	<u>(28,441,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received	<u>415,099</u>	<u>167,936</u>	<u>583,035</u>
Net Cash Provided by Investing Activities	<u>415,099</u>	<u>167,936</u>	<u>583,035</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(3,652,569)	(933,101)	(4,585,670)
Cash and Cash Equivalents, January 1, 2010	<u>50,853,517</u>	<u>12,484,354</u>	<u>63,337,871</u>
Cash and Cash Equivalents, December 31, 2010	<u>\$ 47,200,948</u>	<u>\$ 11,551,253</u>	<u>\$ 58,752,201</u>
Analysis of Balance at December 31,			
Unrestricted - Cash and Equivalents	\$ 14,201,658	\$ 7,714,697	\$ 21,916,355
Restricted - Cash and Equivalents	<u>32,676,290</u>	<u>3,836,556</u>	<u>36,512,846</u>
	<u>\$ 46,877,948</u>	<u>\$ 11,551,253</u>	<u>\$ 58,429,201</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Water Pollution <u>Control</u>	Solid Waste <u>Management</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 10,232,737	\$ (1,718,119)	\$ 8,514,618
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Depreciation	10,662,362		10,662,362
(Increase)/Decrease in Accounts Receivable	42,300	1,287,502	1,329,802
(Increase)/Decrease in Inventory	(15,983)	-	(15,983)
(Increase)/Decrease in Prepaid Items	2,788	(231)	2,557
Increase/(Decrease) in Accounts Payable	(1,574,393)	31,016	(1,543,377)
Increase/(Decrease) in Accrued Expenses	67,751	(1,666,460)	(1,598,709)
Increase/(Decrease) in Accrued Compensated Absences	218,308	(889)	217,419
Increase/(Decrease) in Other Liabilities	(27,290)	(844)	(28,134)
Increase/(Decrease) in Claims Payable	59,715	1,846	61,561
Increase/(Decrease) in Accrued Liability for Insurance Claim	(31,024)	(959)	(31,983)
Increase/(Decrease) in Post-Employment Benefits	1,813,917	56,101	1,870,018
Total Adjustments	11,218,451	(292,918)	10,925,533
Net Cash Provided by (Used for) Operating Activities	\$ 21,451,188	\$ (2,011,037)	\$ 19,440,151
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	\$ 1,309,759		\$ 1,309,759
Original Issue Discount	2,127		2,127
Original Issue Premium	(517,988)		(517,988)
Deferred Loss on Refunding	543,012		543,012

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 <u>Budget</u>	2010 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2009 <u>Actual</u>
OPERATING REVENUES				
Service Agreements	\$ 58,635,759	\$ 58,678,752	\$ 42,993	\$ 55,854,803
Sewer Connection Fees	400,000	828,585	428,585	186,694
Standard Offer Payments	1,400,000	1,278,684	(121,316)	1,472,694
Edgewater Debt Service Contribution	1,465,000	1,469,217	4,217	1,469,217
Miscellaneous	<u>720,000</u>	<u>1,115,211</u>	<u>395,211</u>	<u>809,683</u>
 Total Operating Revenues	 <u>62,620,759</u>	 <u>63,370,449</u>	 <u>749,690</u>	 <u>59,793,091</u>
NON-OPERATING REVENUES				
Interest on Investments	<u>200,000</u>	<u>315,158</u>	<u>115,158</u>	<u>181,717</u>
 Total Non-Operating Revenues	 <u>200,000</u>	 <u>315,158</u>	 <u>115,158</u>	 <u>181,717</u>
 Total Water Pollution Revenues	 <u>62,820,759</u>	 <u>63,685,607</u>	 <u>864,848</u>	 <u>59,974,808</u>
 OPERATING APPROPRIATIONS				
Operations & Maintenance				
Salaries and Wages	6,568,061	6,869,234	(301,173)	6,695,267
Engineering				
Salaries and Wages	1,170,463	1,087,274	83,189	848,981
Other Expenses	2,830,000	2,252,819	577,181	3,225,711
Collection				
Salaries and Wages	1,850,968	2,057,092	(206,124)	1,895,189
Other Expenses	1,010,000	945,702	64,298	839,544
Compliance				
Salaries and Wages	1,360,347	1,460,172	(99,825)	1,410,924
Other Expenses	350,000	301,756	48,244	302,476
Facilities Cost				
Telephone	40,000	2,063	37,937	2,357
Water	200,000	428,623	(228,623)	293,250
Electric	1,900,000	1,514,984	385,016	1,584,043
Gas	1,515,000	1,484,951	30,049	1,839,572
Fuel Oil	150,000	72,593	77,407	116,732

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 <u>Budget</u>	2010 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2009 <u>Actual</u>
Direct Processing				
Other Expenses	\$ 1,410,000	\$ 1,346,655	\$ 63,345	\$ 1,378,583
Waste Disposal				
Other Expenses	5,403,000	5,426,381	(23,381)	6,203,589
Contract Maintenance				
Other Expenses	350,000	110,471	239,529	228,135
Replacement Parts				
Other Expenses	2,015,700	1,879,933	135,767	970,554
Supplies				
Other Expenses	951,000	677,937	273,063	1,044,031
Safety Programs				
Other Expenses	189,000	149,413	39,587	187,472
Insurance				
Multi-Peril	740,000	662,474	77,526	677,376
Employee Benefits				
Public Employees Retirement System	802,000	879,248	(77,248)	763,944
Social Security	838,000	855,530	(17,530)	817,584
Unemployment Insurance	262,000	217,724	44,276	237,710
Workers Compensation	472,000	288,341	183,659	417,801
Prescription/Vision Insurance	776,000	724,955	51,045	828,387
Health Insurance	3,451,000	3,221,694	229,306	3,583,478
Dental Insurance	288,000	242,617	45,383	265,641
Compensated Absences				
Salaries and Wages	350,000	218,308	131,692	344,754
Total Operating Appropriations	37,242,539	35,378,944	1,863,595	37,003,085
Capital Outlay				
Miscellaneous	100,000	222,277	(122,277)	294,342
Total Appropriations	37,342,539	35,601,221	1,741,318	37,297,427

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 <u>Budget</u>	2010 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2009 <u>Actual</u>
NON-OPERATING APPROPRIATIONS				
Bond and Loan Principal	\$ 10,934,617	\$ 10,934,618	\$ (1)	\$ 10,384,748
Bond and Loan Interest	8,715,980	8,715,980	-	7,789,928
Repayment of Port Authority Loan	322,223	322,223	-	322,222
Trustee Fees	150,000	178,513	(28,513)	144,937
Reserve for Uncollected Receivables	-	-	-	280,857
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Appropriations	20,122,820	20,151,334	(28,514)	18,922,692
Allocated Appropriations				
Inter-Dept. Costs				
Salaries and Wages	2,226,665	2,211,721	14,944	2,099,543
Fringe Benefits	1,714,960	1,735,900	(20,940)	1,726,686
Other Expenses	1,413,775	1,071,019	342,756	1,317,794
	<hr/>	<hr/>	<hr/>	<hr/>
Total Allocated Appropriations	5,355,400	5,018,640	336,760	5,144,023
	<hr/>	<hr/>	<hr/>	<hr/>
Total Appropriations	62,820,759	60,771,195	2,049,564	61,364,142
	<hr/>	<hr/>	<hr/>	<hr/>
Budgetary Income (Loss)	\$ -	2,914,412	\$ 2,914,412	(1,389,334)
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Depreciation Expense		(10,662,362)		(8,223,822)
Capital Outlay		222,277		294,342
Loss on Sale and Disposal of Assets		(2,234,376)		
Change in Inventory		15,983		16,882
Principal Paid on Debt		11,256,841		10,706,970
Change in Accrued Interest, net		52,346		363,921
Non-Capitalized Construction Expenses				(47,973)
Cancellation of Prior Year Construction Liabilities		78,404		
Change in Net Assets, OPEB		(1,813,917)		(1,053,699)
Change in Net Assets, Self Insurance		(113,540)		68,561
Change in Net Assets, Unemployment Claims		36,605		36,516
Federal Grants - ARRA		2,599,757		
Adjustment to Loans Receivable				(169,923)
Amortization Expense - Costs of Issuance Bonds		(487,490)		(509,756)
Amortization of Bonds, Loans Premium, Discount and Deferred Loss on Refunding		(27,152)		(108,277)
		<hr/>		<hr/>
Change in Net Assets - GAAP Basis		\$ 1,837,788		\$ (15,592)

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 <u>Budget</u>	2010 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2009 <u>Actual</u>
OPERATING REVENUES				
Cooperative Marketing Program	\$ 13,448,000	\$ 8,269,658	\$ (5,178,342)	\$ 12,282,801
Cooperative Recycling Program	-	28,305	28,305	25,266
Cooperative School HHW Program	20,000	7,914	(12,086)	-
Computer Recycling Fees	5,000	-	(5,000)	-
Program Admin. Fees	164,000	91,516	(72,484)	151,659
Miscellaneous	55,000	47,118	(7,882)	41,925
	<u>13,692,000</u>	<u>8,444,511</u>	<u>(5,247,489)</u>	<u>12,501,651</u>
NON-OPERATING REVENUES				
Recycling & Solid Waste Grants	759,800	692,760	(67,040)	547,614
Interest on Investments	100,000	68,740	(31,260)	153,206
Retained Earnings Appropriations	1,019,127	1,019,127	-	755,260
	<u>1,878,927</u>	<u>1,780,627</u>	<u>(98,300)</u>	<u>1,456,080</u>
Total Non-Operating Revenues	<u>1,878,927</u>	<u>1,780,627</u>	<u>(98,300)</u>	<u>1,456,080</u>
Total Solid Waste Revenues	<u>15,570,927</u>	<u>10,225,138</u>	<u>(5,345,789)</u>	<u>13,957,731</u>
OPERATING APPROPRIATIONS				
Planning and Administration				
Salaries and Wages	-	14,834	(14,834)	109,875
Other Expenses	185,500	109,964	75,536	79,767
Cooperative Marketing	13,448,000	8,301,841	5,146,159	12,283,392
Recycling				
Salaries and Wages	426,224	360,038	66,186	395,484
Other Expenses	55,000	18,997	36,003	54,734
Entitlements	759,800	597,026	162,774	544,307
Insurance				
Other Expenses	80,000	74,781	5,219	75,263
Household Hazard				
Cooperative School HHW Program	-	18,400	(18,400)	4,194

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 <u>Budget</u>	2010 <u>Actual</u>	Variance Excess (Deficit)	2009 <u>Actual</u>
Employee Benefits				
Public Employees Retirement System	\$ 68,755	\$ 75,364		\$ 65,481
Social Security	33,000	42,247	\$ (9,247)	40,508
Unemployment Insurance	12,000	10,253	1,747	11,214
Workers Compensation	56,000	32,420	23,580	40,586
Health Insurance	153,000	188,337	(35,337)	104,866
Prescription/Vision Insurance	103,000	60,583	42,417	112,645
Compensated Absences	-	-	-	27,875
Dental Insurance	25,000	20,629	4,371	23,214
	<u>15,405,279</u>	<u>9,925,714</u>	<u>5,486,174</u>	<u>13,973,405</u>
Total Operating Appropriations				
Allocated Appropriations				
Inter-Department Costs				
Salaries and Wages	68,883	68,404	479	64,935
Fringe Benefits	53,040	73,465	(20,425)	63,117
Other Expenses	43,725	36,307	7,418	40,872
	<u>165,648</u>	<u>178,176</u>	<u>(12,528)</u>	<u>168,924</u>
Total Allocated Appropriations				
	<u>15,570,927</u>	<u>10,103,890</u>	<u>5,473,646</u>	<u>14,142,329</u>
Total Appropriations				
	<u>15,570,927</u>	<u>10,103,890</u>	<u>5,473,646</u>	<u>14,142,329</u>
Budgetary Income (Loss)	<u>\$ -</u>	121,248	<u>\$ (10,819,435)</u>	(184,598)
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Change in Net Assets, OPEB		(56,101)		(32,589)
Change in Net Assets, Self Insurance		(3,511)		2,121
Change in Net Assets, Unemployment Claims		1,132		1,129
Change in Net Assets, Solid Waste Escrow		26,405		68,576
Retained Earnings Appropriated		<u>(1,019,127)</u>		<u>(755,260)</u>
Change in Net Assets, GAAP Basis		<u>\$ (929,954)</u>		<u>\$ (900,621)</u>

THE BERGEN COUNTY UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2010

<u>Authority Members</u>	<u>Position</u>	<u>Surety Coverage</u>
Andrew "Chuck" Vaccaro	Commissioner – Chairman	
Ronald Phillips	Commissioner – Vice Chairman	
Paul A. Juliano	Commissioner	
James Krone	Commissioner	
Louis J. DeLisio	Commissioner	
James L. Cassella	Commissioner	
David J. Lorenzo	Commissioner	
Richard D. Schooler	Commissioner	
Joel T. Thornton	Commissioner	
Robert E. Laux	Executive Director	
Richard Wierer	Deputy 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, 7/1/10-6/30/11.

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

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GOVERNMENT AUDITING STANDARDS

AND

SINGLE AUDIT

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

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, 2010, and have issued our report thereon dated May 6, 2011. 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.

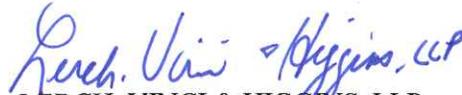
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination 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.

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 6, 2011

LERCH, VINCI & HIGGINS, LLP

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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

Independent Auditor's Report

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, 2010. 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, 2010.

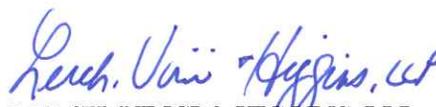
Internal Control Over Compliance

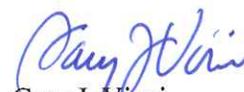
Management of The Bergen County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered The 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 6, 2011

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2010

State Grant Program	Grant Number	Grant Period	Grant Amount	Cash Received	Balance, January 1, 2010	Revenue Realized	Expended	Balance, December 31, 2010	Cumulative Expenditures
New Jersey Department of Environmental Protection									
Solid Waste Administration	SWST-04	1/1/07-12/31/09	\$ 562,260			\$ 62,929	\$ 62,929		\$ 562,260
Solid Waste Administration	SWST-06	1/1/08-12/31/10	540,998			354,446	354,446		354,446
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			40,621	40,621		53,339
Solid Waste Administration - REA Bonus	SWST-09	1/1/11-12/31/13	389,500	389,500		234,764	234,764		234,764
Environmental Infrastructure Trust Loan Program:									
Fund	42-4860-510-022-10/11	2006	54,999,310	1,573,610		1,573,610	1,573,610		68,538,995 (A)
Trust	42-4860-510-022-10/11	2006	20,885,000	524,536		524,536	524,536		
Trust	42-4860-510-046-10/11	2008	7,150,000	2,272,120		2,272,120	2,272,120		
Trust	42-4860-711-001-10/11	2010	1,320,000	217,326		217,326	217,326		
					\$ -	\$ 5,280,352	\$ 5,280,352	\$ -	

(A) Cumulative Expenditures of all EIT Fund and Trust Loans.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2010**

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>Waste-Water Capital</u>	<u>Total Assistance</u>
Solid Waste Management Enterprise Fund	\$ 692,760		\$ 692,760
Water Pollution Control Enterprise Fund	-	\$ 15,185,024	15,185,024
	<u>\$ 692,760</u>	<u>\$ 15,185,024</u>	<u>\$ 15,877,784</u>

NOTE 4 STATE LOANS OUTSTANDING

The Authority's state loans outstanding at December 31, 2010, 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>\$966,668</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 none reported
- 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 reported
- 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>
<u>66.468</u>	<u>United States Environmental</u>
_____	<u>Protection Agency - Capitalization Grants</u>
_____	<u>for Clean Water State Revolving Funds</u>
_____	_____

- H) Dollar threshold used to determine Type A programs: \$317,923
- 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, 2010**

Part I – Summary of Auditor's Results

State Awards

Dollar threshold used to distinguish type A and type B programs: \$ 300,000

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>
<u>42-4860-510-022-10/11</u>	<u>NJ Environmental Infrastructure Trust Loan (NJ DEP)</u>
<u>42-4860-510-046-10/11</u>	<u>NJ Environmental Infrastructure Trust Loan (NJ DEP)</u>
<u>42-4860-711-001-10/11</u>	<u>NJ Environmental Infrastructure Trust Loan (NJ DEP)</u>
<u>SWST-04, SWST-06, SWST-09</u>	<u>NJ Department of Environmental Protection:</u>
_____	<u>Solid Waste Administration</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010**

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, 2010**

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, 2010**

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.

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GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS AND RECOMMENDATIONS

Finding – During 2010, the Authority transferred several projects from Construction in Progress to completed capital assets. However, upon further review and discussion with Authority management, it was determined that additional amounts that were reported at year end in Construction in Progress should have been moved to capital assets and/or expensed.

Recommendation – Authority personnel should periodically review the Construction in Progress account to ensure that only active and uncompleted capital projects remain in the balance.

Finding – The Authority's Construction general ledger does not provide for the timely accrual of open contracts payable balances. In addition, certain subsidiary worksheets maintained by the Authority are not in agreement with general ledger balances.

Recommendation – That Authority should accrue contracts payable balances in the Construction general ledger and consideration be given to integrate the subsidiary ledgers with the general ledger.

Finding – Our audit of the professional service contracts awarded revealed that the resolution in the official minutes of the Authority and the advertisement in the official newspaper awarding each contract did not identify the amount of each professional contract.

Recommendation –All professional service contracts awarded in accordance with N.J.S.A. 40:11-5(1)(a)(i), establish the respective maximum amount of the contract for the various professionals approved by the Board.

Finding – Our audit indicated that the Authority personnel financial disclosure forms are returned directly to and maintained on file with the County Counsel. The Authority did not retain a copy for their files.

Recommendation – The Authority should obtain, review and maintain on file copies of all required financial disclosure forms filed by Authority officials.

Finding – The aged accounts receivable report for the Solid Waste Management Fund was not in agreement with the general ledger at December 31, 2010. This was due to timing of when the billed receivables of November and December 2010 were entered into the accounts receivable system.

Recommendation- That information in the subsidiary aged accounts receivable be updated timely and be in agreement with the Authority's general ledger for the Solid Waste Management Fund.

Appreciation

We desire to express our appreciation to the 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.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411