

THE BERGEN COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Bergen)

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011

**THE BERGEN COUNTY UTILITIES AUTHORITY
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INDEPENDENT AUDITOR'S 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, 2011 and 2010, 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.

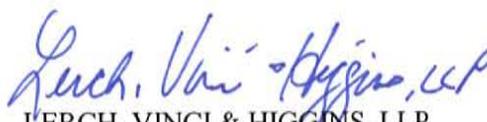
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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.

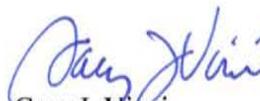
In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of The Bergen County Utilities Authority as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity 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 18, 2012 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.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Bergen County Utilities Authority as a whole. 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 of 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. The supplementary schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements 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 18, 2012

**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, 2011. Please read it in conjunction with the Authority's financial statements and accompanying notes.

The BCUA is responsible for conducting the following operations:

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

FINANCIAL HIGHLIGHTS

- The Authority's total net assets from current year operations decreased \$2,866,262.
- Cash and Investments decreased \$3,089,534.
- Operating Revenues were \$77,053,214.
- Operating Expenses were \$72,004,008.
- Operating Income was \$5,049,206, as compared to the prior year operating income of \$8,514,618.

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 2011, 2010 and 2009.

THE BERGEN COUNTY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets – A summary of the Authority's Net Assets as of December 31, 2011, 2010 and 2009 is presented below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Current and Other Assets	\$ 72,259,186	\$ 82,548,753	\$ 98,984,231
Capital Assets	<u>283,568,582</u>	<u>278,545,252</u>	<u>271,819,281</u>
Total Assets	<u>355,827,768</u>	<u>361,094,005</u>	<u>370,803,512</u>
LIABILITIES			
Long-Term Liabilities	251,460,624	265,929,223	273,589,789
Other Liabilities	<u>35,437,923</u>	<u>23,369,299</u>	<u>26,600,952</u>
Total Liabilities	<u>286,898,547</u>	<u>289,298,522</u>	<u>300,190,741</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	40,347,485	42,442,969	41,824,381
Restricted	23,922,720	23,348,649	22,531,946
Unrestricted	<u>4,659,016</u>	<u>6,003,865</u>	<u>6,256,444</u>
Total Net Assets	<u>\$ 68,929,221</u>	<u>\$ 71,795,483</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 schedule summarizes the Authority's Changes in Net Assets for the years ended December 31, 2011, 2010 and 2009.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Program Revenues			
Charges for Services	\$ 77,053,214	\$ 76,709,582	\$ 77,718,732
Operating Grants and Contributions	487,533	692,760	547,614
Capital Grants and Contributions	-	2,599,757	-
Investment Earnings	<u>503,995</u>	<u>418,964</u>	<u>504,693</u>
Total Revenues	<u>78,044,742</u>	<u>80,421,063</u>	<u>78,771,039</u>
EXPENSES			
Water Pollution Control	72,992,893	69,203,761	65,959,691
Solid Waste	<u>7,918,111</u>	<u>10,309,468</u>	<u>14,324,206</u>
Total Expenses	<u>80,911,004</u>	<u>79,513,229</u>	<u>80,283,897</u>
Changes in Net Assets	<u>(2,866,262)</u>	<u>907,834</u>	<u>(1,512,858)</u>
Net Assets, Beginning of Year	71,795,483	70,612,771	72,125,629
Prior Period Adjustment	<u>-</u>	<u>274,878</u>	<u>-</u>
Net Assets, as Restated	<u>71,795,483</u>	<u>70,887,649</u>	<u>72,125,629</u>
Net Assets, End of Year	<u>\$ 68,929,221</u>	<u>\$ 71,795,483</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, 2011, 2010 and 2009

Water Pollution Control Fund

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land and Land Improvements	\$ 2,515,837	\$ 2,515,837	\$ 2,515,837
Utility Plant and Infrastructure	366,869,760	360,163,625	270,754,671
Vehicles, Machinery and Equipment	144,925,566	118,118,244	121,645,967
Construction in Progress	<u>26,532,171</u>	<u>41,108,825</u>	<u>111,117,347</u>
Sub-Total	540,843,334	521,906,531	506,033,822
Less Accumulated Depreciation	<u>(257,274,752)</u>	<u>(243,361,279)</u>	<u>(234,214,541)</u>
Capital Assets, Net	<u>\$ 283,568,582</u>	<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 2011, 2010 and 2009. Depreciation expense in the Water Pollution Control Division was \$13,913,473, \$10,662,362 and \$8,223,822 in 2011, 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 schedule summarizes the long-term capital debt as of December 31, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Water Pollution Control Fund			
Revenue Bonds Payable, Net	\$ 147,781,546	\$ 153,310,852	\$ 157,956,045
NJ EDA Loan Payable	644,446	966,668	1,288,891
NJ EIT Loan Payable, Net	<u>105,455,340</u>	<u>115,068,992</u>	<u>118,615,895</u>
	<u>\$ 253,881,332</u>	<u>\$ 269,346,512</u>	<u>\$ 277,860,831</u>

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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u> (Restated)
ASSETS		
Current Assets:		
Unrestricted Current Assets:		
Cash and Cash Equivalents	\$ 24,509,937	\$ 22,191,233
Accrued Interest Receivable	9,819	-
Accounts Receivable - (net of allowance)	1,950,441	2,217,627
Inventory	3,747,533	3,530,721
Prepaid Items	<u>212,128</u>	<u>210,860</u>
Total Unrestricted Current Assets	<u>30,429,858</u>	<u>28,150,441</u>
Restricted Current Assets:		
Revenue Account		
Cash and Cash Equivalents	67,192	7,816
General Account		
Cash and Cash Equivalents	1,479	1,479
Bond Reserve Account		
Cash and Cash Equivalents	14,984,228	15,492,945
Accrued Interest Receivable	100,245	20,730
Bond Issuance Account		
Cash and Cash Equivalents	77,601	132,162
Construction Account		
Cash and Cash Equivalents	10,888,945	15,859,252
Renewal and Replacement Account		
Cash and Cash Equivalents	1,000,604	1,000,689
Accrued Interest Receivable		
Unemployment Claims Account		
Cash and Cash Equivalents	222,440	187,574
Solid Waste Escrow		
Cash and Cash Equivalents	3,862,119	3,830,929
State Loans Receivable - NJEIT	<u>6,730,073</u>	<u>13,689,725</u>
Total Restricted Current Assets	<u>37,934,926</u>	<u>50,223,301</u>
Total Current Assets	<u>68,364,784</u>	<u>78,373,742</u>
Noncurrent Assets:		
Deferred Charges:		
Debt Issuance Costs (net of amortization)	<u>3,894,402</u>	<u>4,175,011</u>
Total Deferred Charges	<u>3,894,402</u>	<u>4,175,011</u>
Capital Assets:		
Land and Land Improvements	2,515,837	2,515,837
Utility Plant and Infrastructure	366,869,760	360,163,625
Vehicles, Machinery and Equipment	144,925,566	118,118,244
less: Accumulated Depreciation	(257,274,752)	(243,361,279)
Construction in Progress	<u>26,532,171</u>	<u>41,108,825</u>
Total Capital Assets (net of accumulated depreciation)	<u>283,568,582</u>	<u>278,545,252</u>
Total Noncurrent Assets	<u>287,462,984</u>	<u>282,720,263</u>
Total Assets	<u>\$ 355,827,768</u>	<u>\$ 361,094,005</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u> (Restated)
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 2,683,888	\$ 1,465,307
Accrued Expenses	1,994,438	1,905,123
Compensated Absences	396,900	394,950
Unearned Revenue	1,736,623	2,224,156
Accrued Liability for Insurance Claims	2,397,501	2,123,911
Claims Payable	517,842	494,546
Other Liabilities	<u>100,279</u>	<u>72,400</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>9,827,471</u>	<u>8,680,393</u>
Current Liabilities (Payable from Restricted Assets)		
Revenue Bonds Payable, Current Portion	6,500,000	5,785,000
Loans Payable, Current Portion	6,757,096	6,683,781
Accrued Interest Payable	865,171	910,366
Contracts Payable	<u>11,488,185</u>	<u>1,309,759</u>
Total Current Liabilities Payable from Restricted Assets	<u>25,610,452</u>	<u>14,688,906</u>
Non-Current Liabilities		
Revenue Bonds Payable	141,281,546	147,525,852
Loans Payable	99,342,690	109,351,879
Compensated Absences	3,572,098	3,554,528
Post-Employment Benefits	<u>7,264,290</u>	<u>5,496,964</u>
Total Non-Current Liabilities	<u>251,460,624</u>	<u>265,929,223</u>
Total Liabilities	<u>286,898,547</u>	<u>289,298,522</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	40,347,485	42,442,969
Restricted For:		
Operating Reserve	1,174,824	694,730
Debt Service	2,928,535	2,900,614
Debt Reserve	14,734,802	14,734,802
Renewal and Replacement	1,000,000	1,000,000
Solid Waste Escrow	3,862,119	3,830,929
Unemployment Insurance	222,440	187,574
Unrestricted	<u>4,659,016</u>	<u>6,003,865</u>
Total Net Assets	<u>\$ 68,929,221</u>	<u>\$ 71,795,483</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
User Charges and Fees	\$ 68,619,992	\$ 67,904,730
Miscellaneous	<u>8,433,222</u>	<u>8,804,852</u>
Total Operating Revenues	<u>77,053,214</u>	<u>76,709,582</u>
OPERATING EXPENSES		
Allocated Administration	5,941,877	5,196,816
Cost of Operations	44,793,114	45,483,171
Insurance Claims	5,587,927	4,982,280
Post-Employment Benefits- Annual Required Contribution	1,767,326	1,870,018
Unemployment Claims	291	317
Depreciation	<u>13,913,473</u>	<u>10,662,362</u>
Total Operating Expenses	<u>72,004,008</u>	<u>68,194,964</u>
OPERATING INCOME	<u>5,049,206</u>	<u>8,514,618</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	503,995	418,964
Interest Expense	(8,437,880)	(8,690,786)
Other Non-Operating Revenues (Expense)		94,387
Amortization of Costs of Issuance	(469,116)	(487,490)
Loss on Sale and Disposal of Assets	-	(2,234,376)
Intergovernmental Grants	<u>487,533</u>	<u>3,292,517</u>
Total Non-Operating Income (Expenses)	<u>(7,915,468)</u>	<u>(7,606,784)</u>
CHANGE IN NET ASSETS	<u>(2,866,262)</u>	<u>907,834</u>
Total Net Assets, January 1,	71,795,483	70,612,771
Prior Period Adjustment	<u>-</u>	<u>274,878</u>
Total Net Assets, January 1, as restated	<u>71,795,483</u>	<u>70,887,649</u>
Total Net Assets, December 31	<u>\$ 68,929,221</u>	<u>\$ 71,795,483</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 76,410,400	\$ 78,038,541
Cash Paid to Suppliers	(29,990,925)	(35,867,176)
Cash Paid for Salaries and Benefits	<u>(24,898,183)</u>	<u>(22,731,214)</u>
Net Cash Provided by Operating Activities	<u>21,521,292</u>	<u>19,440,151</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Intergovernmental Grants	<u>910,000</u>	<u>3,509,757</u>
Net Cash Provided by Non-Capital Financing Activities	<u>910,000</u>	<u>3,509,757</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
NJ EIT Loan Proceeds	4,200,473	12,585,399
Repayment of NJ EIT Loan Proceeds	(430,381)	
Payment of Debt Issuance Costs - Refunding Bonds	(188,506)	
Proceeds for Issuance of Refunding Bonds	8,151,843	
Principal Payment - Refunded Bonds	(7,975,000)	
Principal Payment - Revenue Bonds	(5,785,000)	(4,735,000)
Principal Payment - Loans	(6,683,781)	(6,521,841)
Acquisition of Capital Assets	(8,758,378)	(21,054,191)
Interest Paid - Bonds, Notes and Leases	<u>(8,466,757)</u>	<u>(8,715,980)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(25,935,487)</u>	<u>(28,441,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	<u>414,661</u>	<u>583,035</u>
Net Cash Provided by Investing Activities	<u>414,661</u>	<u>583,035</u>
Net (Decrease) in Cash and Cash Equivalents	<u>(3,089,534)</u>	<u>(4,908,670)</u>
Cash and Cash Equivalents, January 1	58,704,079	63,337,871
Prior Period Adjustment	<u>-</u>	<u>274,878</u>
Cash and Cash Equivalents, January 1, as restated	<u>58,704,079</u>	<u>63,612,749</u>
Cash and Cash Equivalents, December 31,	<u>\$ 55,614,545</u>	<u>\$ 58,704,079</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Equivalents	\$ 24,509,937	\$ 22,191,233
Restricted - Cash and Equivalents	<u>31,104,608</u>	<u>36,512,846</u>
	<u>\$ 55,614,545</u>	<u>\$ 58,704,079</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	\$ 5,049,206	\$ 8,514,618
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	13,913,473	10,662,362
(Increase)/Decrease in Accounts Receivable	(642,814)	1,329,802
(Increase)/Decrease in Inventory	(216,812)	(15,983)
(Increase)/Decrease in Prepaid Expenses	(1,268)	2,557
Increase/(Decrease) in Accounts Payable	1,218,581	(1,220,377)
Increase/(Decrease) in Accrued Expenses	89,315	(1,598,709)
Increase/(Decrease) in Accrued Compensated Absences	19,520	217,419
Increase/(Decrease) in Other Liabilities	27,879	(28,134)
Increase/(Decrease) in Claims Payable	23,296	61,561
Increase/(Decrease) in Accrued Liability for Insurance Claims	273,590	(31,983)
Increase/(Decrease) in Post-Employment Benefits	<u>1,767,326</u>	<u>1,870,018</u>
Total Adjustments	<u>16,472,086</u>	<u>11,248,533</u>
Net Cash Provided by Operating Activities	<u>\$ 21,521,292</u>	<u>\$ 19,763,151</u>
Noncash Investing, Capital and Financing Activities:		
Purchase of Capital Assets on Account	\$ 11,488,185	\$ 1,309,759
Original Issue Discount	10,544	2,127
Original Issue Premium	(493,830)	(517,988)
Deferred Loss on Refunding	499,604	543,012

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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, 2011 AND 2010**

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, 2011 AND 2010**

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 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 private sector guidance issued subsequent to December 1, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's Water Pollution Control and Solid Waste Management Enterprise Funds and are charges to customers for 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. State grants for the operation of the Water Pollution Control and Solid Waste Management Systems are considered nonoperating revenues.

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, 2011 AND 2010**

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 not been recorded.

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, 2011 AND 2010**

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 fees, rating agency and miscellaneous costs. These expenses are deferred and amortized over the lives of the respective debt.

9. *Compensated Absences*

Sick leave and in certain instances vacation benefits are accrued as a liability as the benefits are accrued 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 using the straight-line method. Gains and losses resulting from debt refinancing are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses.

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.

13. *Reclassifications*

Certain reclassifications have been made to the December 31, 2010 balances to conform to the December 31, 2011 presentation.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 AND 2010**

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 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 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, 2011 AND 2010**

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits – The Authority’s deposits are insured through the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey’s Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to 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 the lesser 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, 2011 and 2010, the book value of the Authority's deposits was \$38,207,423 and \$39,831,592 and bank balances of the Authority's cash and deposits amounted to \$40,549,329 and \$40,941,890, respectively.

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Insured	\$ 40,113,765	\$ 40,506,797
Uninsured and Collateralized	<u>435,564</u>	<u>435,093</u>
	<u>\$ 40,549,329</u>	<u>\$ 40,941,890</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, 2011 and 2010, the Authority’s bank balance of \$435,564 and \$435,093 were exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority's name	<u>\$ 435,564</u>	<u>\$ 435,093</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.

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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2011 and 2010, the Authority had the following investments:

	<u>Fair and Reported Value</u>	
	<u>2011</u>	<u>2010</u>
<u>Investment:</u>		
U.S. Government Securities - Money Market Funds	<u>\$ 17,407,122</u>	<u>\$ 18,872,487</u>
Cash and Cash Equivalents	<u>\$ 17,407,122</u>	<u>\$ 18,872,487</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, 2011 and 2010 \$17,407,122 and \$18,872,487 of the Authority’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority name	<u>\$ 17,407,122</u>	<u>\$ 18,872,487</u>

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

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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 RESTRICTED ASSETS (Continued)

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

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2011 and 2010:

	Balance, January 1, <u>2011</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2011</u>
Land and Land Improvements	\$ 2,515,837			\$ 2,515,837
Utility Plant and Infrastructure	360,163,625	\$ 6,706,135		366,869,760
Vehicles, Machinery and Equipment	118,118,244	26,807,322		144,925,566
Construction in Progress	<u>41,108,825</u>	<u>18,912,545</u>	<u>\$ 33,489,199</u>	<u>26,532,171</u>
	521,906,531	52,426,002	33,489,199	540,843,334
Less Accumulated Depreciation	<u>(243,361,279)</u>	<u>(13,913,473)</u>	<u>-</u>	<u>(257,274,752)</u>
Capital Assets, Net	<u>\$ 278,545,252</u>	<u>\$ 38,512,529</u>	<u>\$ 33,489,199</u>	<u>\$ 283,568,582</u>
	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>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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 2004 (Series B, federally taxable) and 2006 (Series A), 2007 Refunding (Series A), 2007 Refunding (Series B) and 2007 Edgewater System Acquisition and Series 2008, 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. On August 4, 2010 Financial Guaranty Insurance Corporation filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. On October 1, 2010 FGIC and MBIA Insurance Corporation (“MBIA”) closed on the reinsurance of a U.S. public finance bonds portfolio. In the event of a default, claims would be presented to MBIA for payment. As of the date of this report there is no indication that MBIA would be unable to meeting its obligations pursuant to FGIC’s municipal bond insurance policies issued concurrently with these issues. 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. On March 14, 2012 the United States Bankruptcy Court entered an order confirming the Fifth Amended Plan of Reorganization of Ambac. As of the date of this report is uncertain if, in the event of a default, 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), 2008 Revenue Bonds and 2011 Refunding Bonds are not insured, but are guaranteed as specified in the Bergen County guarantee ordinance.

Revenue Bonds outstanding at December 31, 2011 and 2010, consist of the following:

	<u>2011</u>	<u>2010</u>
Water Pollution Control Revenue Bonds, Series 1992B, Term Bonds, 6.00% due December 15, 2013		\$ 105,000
5.50% due December 15, 2016		4,975,000
Water Pollution Control Revenue Bonds, Series 2001A, Serial Bonds, 3.50% to 5.375% due December 15, 2010 to 2014		4,260,000
Water Pollution Control Revenue Bonds, Series 2004A, Serial Bonds, 3.00% to 5.00% due December 15, 2010 to 2021	\$ 6,035,000	6,515,000
Water Pollution Control Subordinated ERI Refunding Bonds, (Federally Taxable, Series 2004B) 5.75% due December 15, 2010 to 2014	635,000	810,000
Water Pollution Control Revenue Bonds, Series 2005A, 3.25% to 5.00%, due December 15, 2010 to 2013	2,210,000	3,365,000
Water Pollution Control Revenue Bonds, Series 2006A, 4.00% to 5.00%, due December 15, 2010 to 2031	25,255,000	25,630,000
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, 2011 AND 2010**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

	<u>2011</u>	<u>2010</u>
Water Pollution Control BCIA Refunding Bonds, Series 2007B, 4.00% to 5.00%, due December 15, 2010 to 2017	\$ 27,590,000	\$ 29,040,000
Water Pollution Control System Acquisition Revenue Bonds, Series 2007, 4.00% to 5.00%, due December 15, 2010 to 2027	16,450,000	17,135,000
Water Pollution Control BCIA Revenue Bonds, Series 2008, 3.00% to 5.00%, due December 15, 2011 to 2029	29,500,000	29,600,000
Water Pollution Control Revenue Bonds, Series 2011A, Serial Bonds, 2.00% to 4.00%, due December 15, 2012 to 2016	<u>7,710,000</u>	<u>-</u>
 Total Revenue Bonds Payable	 <u>\$ 147,240,000</u>	 <u>\$ 153,290,000</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>2011</u>	<u>2010</u>
New Jersey Economic Development Authority Loans, Interest Free	\$ 644,446	\$ 966,668
New Jersey Environmental Infrastructure Trust		
Trust Loan, Series 2005	2,707,613	3,655,000
Fund Loan, Series 2005	6,260,596	9,190,335
Trust Loan, Series 2006	19,070,000	20,045,000
Fund Loan, Series 2006	48,524,030	51,762,953
Trust Loan, Series 2007	370,000	385,000
Fund Loan, Series 2007	955,098	1,013,417
Trust Loan, Series 2008	6,675,000	6,920,000
Fund Loan, Series 2008	17,806,054	18,856,380
Trust Loan, Series 2010	1,275,000	1,320,000
Fund Loan, Series 2010	<u>1,253,454</u>	<u>1,299,878</u>
 Total Loans Payable	 <u>\$ 105,541,291</u>	 <u>\$ 115,414,631</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010 was as follows:

	Balance, January 1, 2011	Additions	Reductions	Balance, December 31, 2011	Due Within One Year
Revenue Bonds					
Serial Bonds	\$ 148,210,000	\$ 7,710,000	\$ 8,680,000	\$ 147,240,000	\$ 6,500,000
Term Bonds	5,080,000		5,080,000		
Add: Unamortized Premium-Bonds	2,453,950	441,843	431,297	2,464,496	
Less: Unamortized Discount	(10,544)		(10,544)		
Unamortized Loss on Refunding	(2,422,554)	-	(499,604)	(1,922,950)	-
Total Revenue Bonds - Net	<u>153,310,852</u>	<u>8,151,843</u>	<u>13,681,149</u>	<u>147,781,546</u>	<u>6,500,000</u>
Loans Payable					
NJ EDA Loan Payable	966,668		322,222	644,446	322,223
NJ EIT Loan Payable	114,447,963	(3,189,559)	6,361,559	104,896,845	6,434,873
Add: Unamortized Premium	621,029	-	62,534	558,495	-
Total Loans Payable - Net	<u>116,035,660</u>	<u>(3,189,559)</u>	<u>6,746,315</u>	<u>106,099,786</u>	<u>6,757,096</u>
Accrued Compensated Absences	3,949,478	19,520		3,968,998	396,900
Post-Retirement Benefits	5,496,964	1,767,326	-	7,264,290	-
Total Long-Term Liabilities, Net	<u>\$ 278,792,954</u>	<u>\$ 6,749,130</u>	<u>\$ 20,427,464</u>	<u>\$ 265,114,620</u>	<u>\$ 13,653,996</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities (Continued)

	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	(2,965,566)	-	(543,012)	(2,422,554)	-
Total Revenue Bonds - Net	157,956,045	-	4,645,193	153,310,852	5,785,000
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	588,192	95,493	62,656	621,029	-
Total Loans Payable - Net	119,904,786	2,715,371	6,584,497	116,035,660	6,683,781
Accrued Compensated Absences	3,732,059	217,419		3,949,478	394,950
Post-Retirement Benefits	3,626,946	1,870,018	-	5,496,964	-
Total Long-Term Liabilities, Net	\$ 285,219,836	\$ 4,802,808	\$ 11,229,690	\$ 278,792,954	\$ 12,863,731

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2011 is as follows:

Year Ending December 31,	Revenue Bonds		Loans Payable		Total
	Principal	Interest	Principal	Interest	
2012	\$ 6,500,000	\$ 6,602,453	\$ 6,757,096	\$ 1,415,174	\$ 21,274,723
2013	7,805,000	6,361,223	6,835,099	1,344,664	22,345,986
2014	8,585,000	6,039,148	6,593,978	1,270,389	22,488,515
2015	8,965,000	5,655,985	6,673,053	1,192,419	22,486,457
2016	9,395,000	5,233,170	6,743,798	1,112,319	22,484,287
2017-2021	54,365,000	19,232,060	34,958,097	4,339,944	112,895,101
2022-2026	20,820,000	10,361,486	34,058,089	1,966,638	67,206,213
2027-2031	19,950,000	5,367,313	2,922,081	108,725	28,348,119
2032-2036	8,840,000	1,690,600			10,530,600
2037	2,015,000	90,675	-	-	2,105,675
	\$ 147,240,000	\$ 66,634,113	\$ 105,541,291	\$ 12,750,272	\$ 332,165,676

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 8 USER CHARGES RECEIVABLES

User charges receivable at December 31, 2011 and 2010, including the applicable allowance for doubtful accounts, consisted of the following:

	Water Pollution Control	Solid Waste Management	Total
<u>December 31, 2011</u>			
Gross User Charges Receivable	\$ 1,022,621	\$ 1,168,525	\$ 2,191,146
Less: Allowance for Doubtful Accounts	<u>(240,705)</u>	<u>-</u>	<u>(240,705)</u>
Accounts Receivable (Net)	<u>\$ 781,916</u>	<u>\$ 1,168,525</u>	<u>\$ 1,950,441</u>

	Water Pollution Control	Solid Waste Management	Total
<u>December 31, 2010</u>			
Gross User Charges Receivable	\$ 1,194,591	\$ 2,036,077	\$ 3,230,668
Less: Allowance for Doubtful Accounts	<u>(1,013,041)</u>	<u>-</u>	<u>(1,013,041)</u>
Accounts Receivable (Net)	<u>\$ 181,550</u>	<u>\$ 2,036,077</u>	<u>\$ 2,217,627</u>

NOTE 9 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 \$3,968,998 and \$3,949,478 December 31, 2011 and 2010, respectively. Of this amount \$396,900 and \$394,950 is accrued as a current liability and \$3,572,098 and \$3,554,528 is reported as a long-term liability as of December 31, 2011 and 2010, respectively.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 CONSTRUCTION COMMITMENTS

As of December 31, 2011, the Authority had the following commitments with respect to unfinished capital projects:

2011

<u>Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
Hackensack River Anti-Degradation Program	\$ 2,801,186	2012
Sludge Thickening/Dewatering Improvements	1,001,503	2012
Tank #4 Improvements	141,866	2012
Infiltration and Inflow Remediation	2,664,849	2012
Edgewater Plant Security, SCADA & Facility Improvements	2,219,733	2012
CSO Improvements	250,933	2012
Sludge Digester Improvements	825,512	2012
Rehabilitation of Barge Docking Facilities	1,369,102	2012

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, 2011 and 2010 are as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
	<u>Water Pollution Control</u>	<u>Water Pollution Control</u>
<u>Bond Service Fund</u>		
Required Balances	\$ 2,928,535	\$ 2,900,614
Cash and Investments	-	-
(Deficit)	<u>\$ (2,928,535)</u>	<u>\$ (2,900,614)</u>
<u>Bond Reserve Fund</u>		
Required Balances	\$ 14,734,802	\$ 14,734,802
Cash and Investments	14,984,228	15,492,945
Excess Funds	<u>\$ 249,426</u>	<u>\$ 758,143</u>
<u>Renewal and Replacement Fund</u>		
Required Balances	\$ 1,000,000	\$ 1,000,000
Cash and Investments	1,000,604	1,000,689
Excess Funds	<u>\$ 604</u>	<u>\$ 689</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010, the net amounts available for the Operating Reserve were \$1,174,824 and \$694,730, 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 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, 2011 AND 2010**

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. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 78.5 percent.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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

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

Actuarial Methods and Assumptions

In the July 1, 2010 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, 2011 and 2010, 2009, 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>
2011	\$1,190,838
2010	954,612
2009	829,425

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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.

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 2011 and 2010, the Authority contributed \$2,196,672 and \$1,734,269, 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	\$ 3,410,290
Interest on Net OPEB Obligation	274,848
Adjustment to Annual Required Contribution	<u>278,860</u>
Annual OPEB Cost (Expense)	3,963,998
Contributions Made	<u>(2,196,672)</u>
Increase in Net OPEB Obligation	1,767,326
Net OPEB Obligation - January 1, 2011	<u>5,496,964</u>
Net OPEB Obligation - December 31, 2011	<u>\$ 7,264,290</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 2011, 2010 and 2009 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>
2011	\$3,963,998	55.42%	\$7,264,290
2010	3,604,287	48.08%	5,496,964
2009	2,343,190	53.64%	3,626,946

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The projected actuarial accrued liability for benefits was \$76,455,316. The Authority has no plan assets, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$76,455,316. The covered payroll (annual payroll of active employees covered by the plan) was \$14,275,064, and the ratio of the projected UAAL to the covered payroll was 535.6 percent.

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

Actuarial Methods and Assumptions

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

In the December 31, 2011, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 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, 2011 was twenty-five 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 up to \$3 million of 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 \$500,000 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, 2011 AND 2010**

NOTE 14 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

Estimates of claims payable and of claims incurred, but not reported (IBNR) at December 31, 2011 and 2010, 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 \$2,915,164 and \$2,618,457 reported at December 31, 2011 and 2010, 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.

Changes in the balances of claims liabilities for the years ended December 31, 2011 and 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Unpaid Claims, January 1	\$ 2,618,457	\$ 2,588,879	\$ 2,798,074
Incurred Claims	7,123,701	4,982,280	5,352,010
Less Claim Payments	<u>(6,826,815)</u>	<u>(4,952,702)</u>	<u>(5,561,205)</u>
Unpaid Claims, December 31	<u>\$ 2,915,343</u>	<u>\$ 2,618,457</u>	<u>\$ 2,588,879</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>Employer</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2011	\$ 17,568	\$ 17,569	\$ 291	\$ 222,440
2010	18,919	18,920	317	187,574
2009	19,216	19,217	896	149,837

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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 14 OTHER INFORMATION (Continued)

B. Provision for Landfill Closure/Sale of Transfer Station (Continued)

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, 2011 AND 2010**

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, 2011 and 2010, the Authority had no estimated arbitrage earnings due to the IRS.

NOTE 15 PRIOR PERIOD ADJUSTMENT

It was noted during the audit that there was a bank account held by the Authority's trustee that was not reported in the Authority's financial statements. The balance of the account is \$274,878. The Authority's trustee has represented to management that the account was the residual amount remaining from the 1978 refunding bond issue. The total effect was to increase the beginning cash and net assets.

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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 December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2011	-	\$ 76,455,316	\$ 76,455,316	0%	\$ 14,275,064	535.6%
2010	-	69,254,121	69,254,121	0%	13,749,654	503.7%
2009	-	61,855,751	61,855,751	0%	13,290,722	465.4%
2008	-	63,916,310	63,916,310	0%	12,961,068	493.1%
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>
2011	\$ 3,963,998	44.58%
2010	3,604,287	48.12%
2009	2,343,190	53.64%
2008	2,540,658	19.62%
2007	361,263	100.00%

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2011

	Water Pollution Control	Solid Waste Management	Total
ASSETS			
Current Assets:			
Unrestricted Current Assets:			
Cash and Cash Equivalents	\$ 17,482,206	\$ 7,027,731	\$ 24,509,937
Accrued Interest Receivable	3,965	5,854	9,819
Accounts Receivable - (net of allowance)	781,916	1,168,525	1,950,441
Internal Balances	(178,810)	178,810	
Inventory	3,747,533	-	3,747,533
Prepaid Items	192,461	19,667	212,128
	<u>22,029,271</u>	<u>8,400,587</u>	<u>30,429,858</u>
Restricted Current Assets:			
Revenue Account			
Cash and Cash Equivalents	67,192		67,192
General Account			
Cash and Cash Equivalents	1,479		1,479
Bond Reserve Account			
Cash and Cash Equivalents	14,984,228		14,984,228
Accrued Interest Receivable	100,245		100,245
Bond Issuance Account			
Cash and Cash Equivalents	77,601		77,601
Construction Account			
Cash and Cash Equivalents	10,888,945		10,888,945
Renewal and Replacement Account			
Cash and Cash Equivalents	1,000,604		1,000,604
Unemployment Insurance Account			
Cash and Cash Equivalents	215,766	6,674	222,440
Solid Waste Escrow			
Cash and Cash Equivalents		3,862,119	3,862,119
State Loans Receivable - NJEIT	6,730,073	-	6,730,073
	<u>34,066,133</u>	<u>3,868,793</u>	<u>37,934,926</u>
Total Current Assets	<u>56,095,404</u>	<u>12,269,380</u>	<u>68,364,784</u>
Noncurrent Assets:			
Deferred Charges:			
Debt Issuance Costs (net of amortization)	3,894,402	-	3,894,402
	<u>3,894,402</u>	<u>-</u>	<u>3,894,402</u>
Total Deferred Charges	<u>3,894,402</u>	<u>-</u>	<u>3,894,402</u>
Capital Assets:			
Land and Land Improvements	2,515,837		2,515,837
Utility Plant and Infrastructure	366,869,760		366,869,760
Vehicles, Machinery and Equipment	144,925,566		144,925,566
less: Accumulated Depreciation	(257,274,752)		(257,274,752)
Construction in Progress	26,532,171	-	26,532,171
	<u>283,568,582</u>	<u>-</u>	<u>283,568,582</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>283,568,582</u>	<u>-</u>	<u>283,568,582</u>
Total Noncurrent Assets	<u>287,462,984</u>	<u>-</u>	<u>287,462,984</u>
Total Assets	<u>\$ 343,558,388</u>	<u>\$ 12,269,380</u>	<u>\$ 355,827,768</u>

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2011

	<u>Business-Type Activities- Enterprise Funds</u>		
	Water Pollution	Solid	Total
	<u>Control</u>	Waste <u>Management</u>	
LIABILITIES			
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable	\$ 2,565,204	\$ 118,684	\$ 2,683,888
Accrued Expenses	472,659	1,521,779	1,994,438
Compensated Absences	391,291	5,609	396,900
Unearned Revenue		1,736,623	1,736,623
Accrued Liability for Insurance Claims	2,325,576	71,925	2,397,501
Claims Payable	502,307	15,535	517,842
Other Liabilities	97,271	3,008	100,279
	<u>6,354,308</u>	<u>3,473,163</u>	<u>9,827,471</u>
Total Current Liabilities Payable from Unrestricted Assets			
Current Liabilities (Payable from Restricted Assets)			
Revenue Bonds Payable, Current Portion	6,500,000		6,500,000
Loans Payable, Current Portion	6,757,096		6,757,096
Accrued Interest Payable	865,171		865,171
Contracts Payable	11,488,185	-	11,488,185
	<u>25,610,452</u>	<u>-</u>	<u>25,610,452</u>
Total Current Liabilities Payable from Restricted Assets			
Non-Current Liabilities			
Revenue Bonds Payable	141,281,546		141,281,546
Loans Payable	99,342,690		99,342,690
Compensated Absences	3,521,619	50,479	3,572,098
Post-Employment Benefits	7,046,361	217,929	7,264,290
	<u>251,192,216</u>	<u>268,408</u>	<u>251,460,624</u>
Total Non-Current Liabilities			
Total Liabilities			
	<u>283,156,976</u>	<u>3,741,571</u>	<u>286,898,547</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	40,347,485		40,347,485
Restricted For:			
Operating Reserve	1,174,824		1,174,824
Debt Service	2,928,535		2,928,535
Debt Reserve	14,734,802		14,734,802
Renewal and Replacement	1,000,000		1,000,000
Solid Waste Escrow		3,862,119	3,862,119
Unemployment Insurance	215,766	6,674	222,440
Unrestricted	-	4,659,016	4,659,016
	<u>60,401,412</u>	<u>8,527,809</u>	<u>68,929,221</u>
Total Net Assets			
	<u>\$ 60,401,412</u>	<u>\$ 8,527,809</u>	<u>\$ 68,929,221</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Water Pollution Control	Solid Waste Management	Total
OPERATING REVENUES			
User Charges and Fees	\$ 62,513,986	\$ 6,106,006	\$ 68,619,992
Miscellaneous	<u>8,240,317</u>	<u>192,905</u>	<u>8,433,222</u>
Total Operating Revenues	<u>70,754,303</u>	<u>6,298,911</u>	<u>77,053,214</u>
OPERATING EXPENSES			
Allocated Administration	5,745,650	196,227	5,941,877
Cost of Operations	37,291,897	7,501,217	44,793,114
Insurance Claims	5,420,289	167,638	5,587,927
Post-Employment Benefits- Annual Required Contribution	1,714,306	53,020	1,767,326
Unemployment Claims	282	9	291
Depreciation	<u>13,913,473</u>	<u>-</u>	<u>13,913,473</u>
Total Operating Expenses	<u>64,085,897</u>	<u>7,918,111</u>	<u>72,004,008</u>
OPERATING INCOME (LOSS)	<u>6,668,406</u>	<u>(1,619,200)</u>	<u>5,049,206</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	410,062	93,933	503,995
Interest Expense	(8,437,880)		(8,437,880)
Amortization of Costs of Issuance	(469,116)		(469,116)
Intergovernmental Grants	<u>-</u>	<u>487,533</u>	<u>487,533</u>
Total Non-Operating Income (Expenses)	<u>(8,496,934)</u>	<u>581,466</u>	<u>(7,915,468)</u>
CHANGE IN NET ASSETS	(1,828,528)	(1,037,734)	(2,866,262)
Total Net Assets, January 1, 2011, as restated	<u>62,229,940</u>	<u>9,565,543</u>	<u>71,795,483</u>
Total Net Assets, December 31, 2011	<u>\$ 60,401,412</u>	<u>\$ 8,527,809</u>	<u>\$ 68,929,221</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Water Pollution Control	Solid Waste Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 70,153,937	\$ 6,256,463	\$ 76,410,400
Cash Paid to Suppliers	(22,801,728)	(7,189,197)	(29,990,925)
Cash Paid for Salaries and Benefits	(24,144,919)	(753,264)	(24,898,183)
	<u>23,207,290</u>	<u>(1,685,998)</u>	<u>21,521,292</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Transactions	(33,190)	33,190	-
Proceeds from Intergovernmental Grants	-	910,000	910,000
	<u>(33,190)</u>	<u>943,190</u>	<u>910,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
NJ EIT Loan Proceeds	4,200,473		4,200,473
Repayment of NJ EIT Loan Proceeds	(430,381)		(430,381)
Payment of Debt Issuance Costs - Refunding Bonds	(188,506)		(188,506)
Proceeds from Issuance of Refunding Bonds	8,151,843		8,151,843
Principal Payment - Refunded Bonds	(7,975,000)		(7,975,000)
Principal Payment - Revenue Bonds	(5,785,000)		(5,785,000)
Principal Payment - Loans	(6,683,781)		(6,683,781)
Acquisition of Capital Assets	(8,758,378)		(8,758,378)
Interest Paid - Bonds, Notes and Loans	(8,466,757)	-	(8,466,757)
	<u>(25,935,487)</u>	<u>-</u>	<u>(25,935,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received	326,582	88,079	414,661
	<u>326,582</u>	<u>88,079</u>	<u>414,661</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,434,805)	(654,729)	(3,089,534)
Cash and Cash Equivalents, January 1, 2011, as restated	47,152,826	11,551,253	58,704,079
Cash and Cash Equivalents, December 31, 2011	<u>\$ 44,718,021</u>	<u>\$ 10,896,524</u>	<u>\$ 55,614,545</u>
Analysis of Balance at December 31, 2011			
Unrestricted - Cash and Equivalents	\$ 17,482,206	\$ 7,027,731	\$ 24,509,937
Restricted - Cash and Equivalents	27,235,815	3,868,793	31,104,608
	<u>\$ 44,718,021</u>	<u>\$ 10,896,524</u>	<u>\$ 55,614,545</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	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)	\$ 6,668,406	\$ (1,619,200)	\$ 5,049,206
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Depreciation	13,913,473		13,913,473
(Increase)/Decrease in Accounts Receivable	(600,366)	(42,448)	(642,814)
(Increase)/Decrease in Inventory	(216,812)	-	(216,812)
(Increase)/Decrease in Prepaid Items	(1,687)	419	(1,268)
Increase/(Decrease) in Accounts Payable	1,320,652	(102,071)	1,218,581
Increase/(Decrease) in Accrued Expenses	1,143	88,172	89,315
Increase/(Decrease) in Compensated Absences	93,153	(73,633)	19,520
Increase/(Decrease) in Other Liabilities	27,043	836	27,879
Increase/(Decrease) in Claims Payable	22,597	699	23,296
Increase/(Decrease) in Accrued Liability for Insurance Claim	265,382	8,208	273,590
Increase/(Decrease) in Post-Employment Benefits	1,714,306	53,020	1,767,326
	<u>16,538,884</u>	<u>(66,798)</u>	<u>16,472,086</u>
Total Adjustments			
Net Cash Provided by (Used for) Operating Activities	<u>\$ 23,207,290</u>	<u>\$ (1,685,998)</u>	<u>\$ 21,521,292</u>
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	\$ 11,488,185		\$ 11,488,185
Original Issue Discount	10,544		10,544
Original Issue Premium	(493,830)		(493,830)
Deferred Loss on Refunding	499,604		499,604

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2011
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2010)

	2011 <u>Budget</u>	2011 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2010 <u>Actual</u>
OPERATING REVENUES				
Service Agreements	\$ 61,684,818	\$ 61,679,120	\$ (5,698)	\$ 58,678,752
Sewer Connection Fees	500,000	834,866	334,866	828,585
Standard Offer Payments	700,000	567,726	(132,274)	1,278,684
Edgewater Debt Service Contribution	1,465,000	1,469,217	4,217	1,469,217
IPP Permits	310,000	314,633	4,633	
Miscellaneous	425,175	723,716	298,541	1,115,211
	<u>65,084,993</u>	<u>65,589,278</u>	<u>504,285</u>	<u>63,370,449</u>
NON-OPERATING REVENUES				
Interest on Investments	200,000	409,804	209,804	315,158
Miscellaneous	400,000	600,000	200,000	-
	<u>600,000</u>	<u>1,009,804</u>	<u>409,804</u>	<u>315,158</u>
Total Water Pollution Revenues	<u>65,684,993</u>	<u>66,599,082</u>	<u>914,089</u>	<u>63,685,607</u>
OPERATING APPROPRIATIONS				
Operations & Maintenance				
Salaries and Wages	7,033,255	6,782,358	250,897	6,869,234
Engineering				
Salaries and Wages	1,194,042	940,528	253,514	1,087,274
Other Expenses	2,720,000	1,824,312	895,688	2,252,819
Collection				
Salaries and Wages	1,901,102	2,095,921	(194,819)	2,057,092
Other Expenses	886,000	720,028	165,972	945,702
Compliance				
Salaries and Wages	1,449,953	1,507,071	(57,118)	1,460,172
Other Expenses	325,000	240,023	84,977	301,756
Facilities Cost				
Telephone	10,000	1,913	8,087	2,063
Water	300,000	311,341	(11,341)	428,623
Electric	1,948,000	2,107,055	(159,055)	1,514,984
Gas	1,728,000	1,284,115	443,885	1,484,951
Fuel Oil	125,000	239,326	(114,326)	72,593

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2011
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2010)

	<u>2011</u> <u>Budget</u>	<u>2011</u> <u>Actual</u>	<u>Variance</u> <u>Excess (Deficit)</u>	<u>2010</u> <u>Actual</u>
Direct Processing				
Other Expenses	\$ 1,510,000	\$ 1,581,795	\$ (71,795)	\$ 1,346,655
Waste Disposal				
Other Expenses	5,343,000	5,683,128	(340,128)	5,426,381
Contract Maintenance				
Other Expenses	200,000	208,020	(8,020)	110,471
Replacement Parts				
Other Expenses	2,120,000	1,890,586	229,414	1,879,933
Supplies				
Other Expenses	909,000	650,048	258,952	677,937
Safety Programs				
Other Expenses	189,000	189,809	(809)	149,413
Insurance				
Multi-Peril	730,000	656,831	73,169	662,474
Employee Benefits				
Public Employees Retirement System	1,097,000	1,096,838	162	879,248
Social Security	885,000	894,957	(9,957)	855,530
Unemployment Insurance	272,000	228,320	43,680	217,724
Workers Compensation	273,000	628,295	(355,295)	288,341
Prescription/Vision Insurance	825,000	935,096	(110,096)	724,955
Health Insurance	4,100,000	3,996,832	103,168	3,221,694
Dental Insurance	298,000	291,017	6,983	242,617
Compensated Absences				
Salaries and Wages	<u>700,544</u>	<u>93,153</u>	<u>607,391</u>	<u>218,308</u>
Total Operating Appropriations	39,071,896	37,078,716	1,993,180	35,378,944
Capital Outlay				
Miscellaneous	<u>100,000</u>	<u>24,258</u>	<u>75,742</u>	<u>222,277</u>
Total Appropriations	<u>39,171,896</u>	<u>37,102,974</u>	<u>2,068,922</u>	<u>35,601,221</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2011
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2010)

	2011 <u>Budget</u>	2011 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2010 <u>Actual</u>
NON-OPERATING APPROPRIATIONS				
Bond and Loan Principal	\$ 12,146,559	\$ 12,146,559		\$ 10,934,618
Bond and Loan Interest	8,478,419	8,466,757	\$ 11,662	8,715,980
Repayment of Port Authority Loan	322,222	322,222	-	322,223
Trustee Fees	<u>166,958</u>	<u>429,993</u>	<u>(263,035)</u>	<u>178,513</u>
Total Non-Operating Appropriations	<u>21,114,158</u>	<u>21,365,531</u>	<u>(251,373)</u>	<u>20,151,334</u>
Allocated Appropriations				
Inter-Dept. Costs				
Salaries and Wages	2,244,499	2,546,663	(302,164)	2,211,721
Fringe Benefits	1,928,360	2,202,166	(273,806)	1,735,900
Other Expenses	<u>1,226,080</u>	<u>996,821</u>	<u>229,259</u>	<u>1,071,019</u>
Total Allocated Appropriations	<u>5,398,939</u>	<u>5,745,650</u>	<u>(346,711)</u>	<u>5,018,640</u>
Total Appropriations	<u>65,684,993</u>	<u>64,214,155</u>	<u>1,470,838</u>	<u>60,771,195</u>
Budgetary Income (Loss)	<u>\$ -</u>	2,384,927	<u>\$ 2,384,927</u>	2,914,412
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Depreciation Expense		(13,913,473)		(10,662,362)
Capital Outlay		24,258		222,277
Loss on Sale and Disposal of Assets		-		(2,234,376)
Change in Inventory		216,812		15,983
Principal Paid on Debt		12,468,781		11,256,841
Change in Accrued Interest, net		45,195		52,346
Cancellation of Prior Year Construction Liabilities		-		78,404
Change in Net Assets, OPEB		(1,714,306)		(1,813,917)
Change in Net Assets, Self Insurance		(289,108)		(113,540)
Change in Net Assets, Unemployment Claims		33,820		36,605
Excess Bond Reserve Funds Realized as Revenue		(600,000)		
Federal Grants - ARRA		-		2,599,757
Amortization Expense - Costs of Issuance Bonds		(469,116)		(487,490)
Amortization of Bonds, Loans Premium, Discount and Deferred Loss on Refunding		<u>(16,318)</u>		<u>(27,152)</u>
Change in Net Assets - GAAP Basis		<u>\$ (1,828,528)</u>		<u>\$ 1,837,788</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2011
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2010)

	2011 <u>Budget</u>	2011 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2010 <u>Actual</u>
OPERATING REVENUES				
Cooperative Marketing Program	\$ 8,372,400	\$ 6,054,823	\$ (2,317,577)	\$ 8,269,658
Cooperative Recycling Program		14,257	14,257	28,305
Cooperative School HHW Program				7,914
Program Admin. Fees	60,000	36,926	(23,074)	91,516
Miscellaneous	<u>35,000</u>	<u>33,162</u>	<u>(1,838)</u>	<u>47,118</u>
Total Operating Revenues	<u>8,467,400</u>	<u>6,139,168</u>	<u>(2,328,232)</u>	<u>8,444,511</u>
NON-OPERATING REVENUES				
Recycling & Solid Waste Grants	811,850	487,533	(324,317)	692,760
Interest on Investments	70,000	62,734	(7,266)	68,740
Retained Earnings Appropriations	<u>1,252,805</u>	<u>1,252,805</u>	<u>-</u>	<u>1,019,127</u>
Total Non-Operating Revenues	<u>2,134,655</u>	<u>1,803,072</u>	<u>(331,583)</u>	<u>1,780,627</u>
Total Solid Waste Revenues	<u>10,602,055</u>	<u>7,942,240</u>	<u>(2,659,815)</u>	<u>10,225,138</u>
OPERATING APPROPRIATIONS				
Planning and Administration				
Salaries and Wages				14,834
Other Expenses	175,500	81,734	93,766	109,964
Cooperative Marketing	8,432,400	6,089,531	2,342,869	8,301,841
Recycling				
Salaries and Wages	424,009	400,050	23,959	360,038
Other Expenses	35,000	29,225	5,775	18,997
Entitlements	776,850	459,440	317,410	597,026
Insurance				
Other Expenses	80,000	73,484	6,516	74,781
Household Hazard				
Cooperative School HHW Program	-	-	-	18,400

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2011
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2010)

	2011 <u>Budget</u>	2011 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2010 <u>Actual</u>
Employee Benefits				
Public Employees Retirement System	\$ 94,000	\$ 94,000		\$ 75,364
Social Security	34,000	27,618	\$ 6,382	42,247
Unemployment Insurance	12,000	10,634	1,366	10,253
Workers Compensation	40,000	7,936	32,064	32,420
Health Insurance	177,000	201,782	(24,782)	188,337
Prescription/Vision Insurance	82,000	75,314	6,686	60,583
Compensated Absences	13,000	(73,633)	86,633	-
Dental Insurance	28,000	24,102	3,898	20,629
	<u>10,403,759</u>	<u>7,501,217</u>	<u>2,902,542</u>	<u>9,925,714</u>
Total Operating Appropriations				
Allocated Appropriations				
Inter-Department Costs				
Salaries and Wages	100,736	78,763	21,973	68,404
Fringe Benefits	59,640	87,015	(27,375)	73,465
Other Expenses	37,920	30,449	7,471	36,307
	<u>198,296</u>	<u>196,227</u>	<u>2,069</u>	<u>178,176</u>
Total Allocated Appropriations				
	<u>10,602,055</u>	<u>7,697,444</u>	<u>2,904,611</u>	<u>10,103,890</u>
Total Appropriations				
	<u>10,602,055</u>	<u>7,697,444</u>	<u>2,904,611</u>	<u>10,103,890</u>
Budgetary Income (Loss)	<u>\$ -</u>	244,796	<u>\$ (5,564,426)</u>	121,248
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Change in Net Assets, OPEB		(53,020)		(56,101)
Change in Net Assets, Self Insurance		(8,942)		(3,511)
Change in Net Assets, Unemployment Claims		1,047		1,132
Change in Net Assets, Solid Waste Escrow		31,190		26,405
Retained Earnings Appropriated		<u>(1,252,805)</u>		<u>(1,019,127)</u>
Change in Net Assets, GAAP Basis		<u>\$ (1,037,734)</u>		<u>\$ (929,954)</u>

THE BERGEN COUNTY UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2011

<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	
Cathy Bentz	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	

Surety Coverage

(1) Western Surety Company Bond No. 141834510 in the amount of \$500,000, 7/1/11-6/30/12.

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

GOVERNMENT AUDITING STANDARDS

AND

SINGLE AUDIT

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA

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, 2011, and have issued our report thereon dated May 18, 2012. 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

Management of the Bergen County Utilities Authority is responsible for establishing and maintaining effective 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.

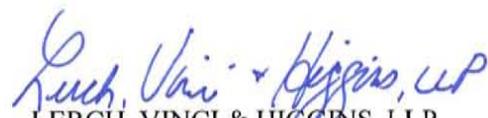
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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.

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

This report is intended solely for the information and use of management, The Bergen County Utilities Authority board members, others within the Authority, 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 18, 2012

LERCH, VINCI & HIGGINS, LLP

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 Bergen County Utilities Authority's compliance 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 that could have a direct and material effect on each of The Bergen County Utilities Authority's major federal and state programs for the year ended December 31, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

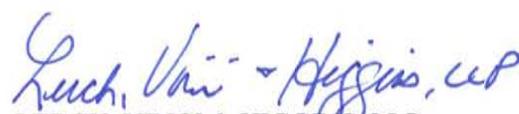
Internal Control Over Compliance

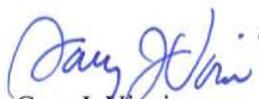
Management of The Bergen County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered The 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 management, The Bergen County Utilities Authority board members, others within the Authority, 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 18, 2012

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Federal Grant Program</u>	<u>Grant Period</u>	<u>CFDA</u>	<u>State Grant Number</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2011</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2011</u>	<u>Cumulative Expenditures</u>
United States Environmental Protection Agency										
Capitalization Grants for Clean Water State Revolving Funds	FFY08	66.458	42-4860-510-046-10/11	\$ 20,426,384	\$ 1,241,041		\$ 1,241,041	\$ 1,241,041	\$	\$ 16,890,208
	FFY10	66.458	42-4860-711-001-10/11	3,899,635	168,523		168,523	168,523		3,899,635
United States Department of Homeland Security										
Disaster Grants - Public Assistance	2011	97.036	56-1200-100-A57-11	917	917		917	917		917
Disaster Grants - Public Assistance	2011	97.036	56-1200-100-A63-11	15,513	15,513		15,513	15,513		15,513
						\$ -	\$ 1,425,994	\$ 1,425,994	\$ -	\$ 20,806,273

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2011

State Grant Program	Grant Number	Grant Period	Grant Award Amount	Cash Received	Balance, January 1, 2011	Revenue Realized	Expended	Balance, December 31, 2011	Cumulative Expenditures
New Jersey Department of Environmental Protection									
Solid Waste Administration	SWST-06	1/1/08-12/31/10	\$ 540,998			\$ 186,552	\$ 186,552		540,998
Solid Waste Administration	SWST-07	1/1/09-12/31/11	539,906			191,395	191,395		191,395
Solid Waste Administration - REA	SWST-09	1/1/11-12/31/13	570,000			25,600	25,600		78,939
Solid Waste Administration - REA Bonus	SWST-09	1/1/11-12/31/13	389,500			83,986	83,986		318,750
	SWST-10	1/1/12-12/31/14	910,000	\$ 910,000					
Environmental Infrastructure Trust Loan Program:									
Fund	42-4860-510-022-10/11	2006	54,999,310	150,758		150,759	150,759		71,329,904 (A)
Trust	42-4860-510-022-10/11	2006	20,885,000	50,246		50,246	50,246		
Fund	42-4860-510-022-11/12	2007	1,117,200	867,600		867,600	867,600		
Trust	42-4860-510-022-11/12	2007	415,000	289,200		289,200	289,200		
Trust	42-4860-510-046-10/11	2008	7,150,000	413,679		413,679	413,679		
Trust	42-4860-711-001-10/11	2010	1,320,000	1,019,425		1,019,425	1,019,425		
					\$ -	\$ 3,278,442	\$ 3,278,442	\$ -	

(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, 2011**

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	\$ 487,533		\$ 487,533
Water Pollution Control Enterprise Fund	<u>16,430</u>	<u>\$ 4,200,473</u>	<u>4,216,903</u>
	<u>\$ 503,963</u>	<u>\$ 4,200,473</u>	<u>\$ 4,704,436</u>

NOTE 4 STATE LOANS OUTSTANDING

The Authority's state loans outstanding at December 31, 2011, 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>\$644,446</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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>
66.458	United States Environmental
	Protection Agency - Capitalization Grants
	for Clean Water State Revolving Funds

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

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2011**

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>
42-4860-510-022-10/11	NJ Environmental Infrastructure Trust Loan (NJ DEP)
42-4860-510-046-10/11	NJ Environmental Infrastructure Trust Loan (NJ DEP)
42-4860-711-001-10/11	NJ Environmental Infrastructure Trust Loan (NJ DEP)
SWST-06, SWST-07, SWST-09	NJ Department of Environmental Protection:
	Solid Waste Administration

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011**

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, 2011**

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, 2011**

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 2011, the Authority’s construction payable ledger was maintained on subsidiary spreadsheets. These worksheets are not integrated with the Authority’s general ledger. This system does not provide for the timely accrual of the outstanding contracts payable balance in the Authority’s financial statements. In 2012, the Authority upgraded their accounting software to create a construction ledger which will integrate with the Authority’s general ledger.

Recommendation – The Authority should continue its efforts to review the construction ledger to ensure that the subsidiary ledgers are integrated with the general ledger and accurately reports the outstanding contracts payable balance.

Finding – Our audit indicated that the Authority personnel financial disclosure forms are maintained on file with the Bergen County Clerk’s office. The Authority has not historically retained 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, 2011. This was due to timing of when the December 2011 billings were received from the service provider and were entered into the accounts receivable system.

Recommendation- Information in the Solid Waste Management Fund subsidiary aged accounts receivable be updated timely and be in agreement with the Authority’s general ledger.

Finding – Our audit of the expenditures noted that in certain limited instances, goods or services were ordered prior to the issuance of a purchase order.

Recommendation –The encumbrance system be enhanced to ensure that materials be ordered only after a purchase order has been executed.

Finding – Our audit indicated that there is no independent verification of State payroll deductions remitted by the Authority’s third party payroll provider to the respective State Agencies.

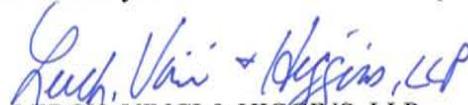
Recommendation –Procedures be developed to verify that the Authority’s payroll provider are remitting the required payroll deductions accurately and in a timely manner.

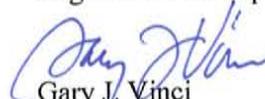
Appreciation

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.


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Registered Municipal Accountants


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