

**THE BERGEN COUNTY UTILITIES AUTHORITY**

**(A Component Unit of the County of Bergen)**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**THE BERGEN COUNTY UTILITIES AUTHORITY  
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page</u>
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-8
	<b><u>Basic Financial Statements</u></b>	
A	Comparative Statements of Net Position	9-10
B	Comparative Statements of Revenues, Expenses and Changes in Net Position	11
C	Comparative Statements of Cash Flows	12-13
	Notes to Financial Statements	14-39
<b><u>Schedule</u></b>	<b><u>Required Supplementary Information</u></b>	
1	Other Post-Employment Benefits Plan - Schedule of Funding Progress	40
	<b><u>Supplementary Schedules</u></b>	
2	Combining Statement of Net Position	41-42
3	Combining Statement of Revenues, Expenses and Changes in Net Position	43
4	Combining Statement of Cash Flows	44-45
5	Schedule of Revenues and Expenses Compared to Budget -- Water Pollution Control Division -- Budgetary Basis	46-48
6	Schedule of Revenues and Expenses Compared to Budget -- Solid Waste Management Division -- Budgetary Basis	49-50
	Roster of Officials	51
	<b><u>Government Auditing Standards and Single Audit</u></b>	
	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	52-53
	Report on Compliance for each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 04-04 -- Independent Auditor's Report	54-56
7	Schedule of Expenditures of Federal Awards	57
8	Schedule of Expenditures of State Financial Assistance	58
	Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	59
	Schedule of Findings and Questioned Costs	60-63
	Summary Schedule of Prior Year Audit Findings and Questioned Costs	64
	General Comments and Recommendations	65
	Appreciation	65



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Bergen County Utilities Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bergen County Utilities Authority as of December 31, 2013 and 2012, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bergen County Utilities Authority's basic financial statements as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen County Utilities Authority's internal control over financial reporting and compliance.

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

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
May 28, 2014

**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, 2013. 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 position from current year operations decreased \$277,975.
- Cash and Investments decreased \$484,098.
- Operating Revenues were \$74,535,914.
- Operating Expenses were \$67,304,590.
- Operating Income was \$7,231,324, as compared to the prior year operating income of \$7,505,677.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This annual financial report consists of four parts: The Independent Auditor's 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 2013, 2012 and 2011.

**THE BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*(Continued)*

**FINANCIAL ANALYSIS OF THE AUTHORITY**

*Net Position* – A summary of the Authority's Net Position as of December 31, 2013, 2012 and 2011 is presented below:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current Assets and Deferred Outflows	\$ 63,142,964	\$ 66,850,503	\$ 70,287,734
Capital Assets	<u>255,255,824</u>	<u>269,988,849</u>	<u>283,568,582</u>
Total Assets and Deferred Outflows	<u>318,398,788</u>	<u>336,839,352</u>	<u>353,856,316</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Long-Term Liabilities	220,684,475	238,899,505	253,283,574
Other Liabilities and Deferred Inflows	<u>34,287,769</u>	<u>34,235,328</u>	<u>35,521,621</u>
Total Liabilities and Deferred Inflows	<u>254,972,244</u>	<u>273,134,833</u>	<u>288,805,195</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	35,676,113	34,955,626	36,453,083
Restricted	25,763,062	25,515,042	23,922,720
Unrestricted	<u>1,987,369</u>	<u>3,233,851</u>	<u>4,575,318</u>
Total Net Position	<u>\$ 63,426,544</u>	<u>\$ 63,704,519</u>	<u>\$ 64,951,121</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 Position for the years ended December 31, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>			
Program Revenues			
Charges for Services	\$ 74,535,914	\$ 73,981,375	\$ 71,763,045
Operating Grants and Contributions	542,430	600,699	487,533
FEMA Reimbursements	616,740	-	-
Investment Earnings	367,119	242,661	503,995
Total Revenues	<u>76,062,203</u>	<u>74,824,735</u>	<u>72,754,573</u>
<b>EXPENSES</b>			
Water Pollution Control	68,696,136	67,753,760	67,392,313
Solid Waste	7,644,042	8,317,577	7,759,406
Total Expenses	<u>76,340,178</u>	<u>76,071,337</u>	<u>75,151,719</u>
Changes in Net Assets	<u>(277,975)</u>	<u>(1,246,602)</u>	<u>(2,397,146)</u>
Net Position, Beginning of Year	63,704,519	65,034,819	67,431,965
Prior Period Adjustment	<u>-</u>	<u>(83,698)</u>	<u>-</u>
Net Position, as Restated	<u>63,704,519</u>	<u>64,951,121</u>	<u>67,431,965</u>
Net Position, End of Year	<u>\$ 63,426,544</u>	<u>\$ 63,704,519</u>	<u>\$ 65,034,819</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, 2013, 2012 and 2011*

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land and Land Improvements	\$ 5,728,514	\$ 2,515,837	\$ 2,515,837
Utility Plant and Infrastructure	368,350,056	368,338,145	366,869,760
Vehicles, Machinery and Equipment	147,009,519	145,641,051	144,925,566
Construction in Progress	<u>20,962,318</u>	<u>25,592,845</u>	<u>26,532,171</u>
Sub-Total	542,050,407	542,087,878	540,843,334
Less Accumulated Depreciation	<u>(286,794,583)</u>	<u>(272,099,029)</u>	<u>(257,274,752)</u>
Capital Assets, Net	<u>\$ 255,255,824</u>	<u>\$ 269,988,849</u>	<u>\$ 283,568,582</u>

The Authority sold the Solid Waste transfer station in 2002; consequently, no capital assets are reported in the Solid Waste Management Division in 2013, 2012 and 2011. Depreciation expense in the Water Pollution Control Division was \$14,695,554, \$14,824,277 and \$13,913,473 in 2013, 2012 and 2011, respectively.

Additional information on the BCUA's capital assets can be found in the Notes to the 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, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Water Pollution Control Fund			
Revenue Bonds Payable, Net	\$ 134,448,007	\$ 142,684,769	\$ 149,704,496
NJ EDA Loan Payable	-	322,223	644,446
NJ EIT Loan Payable, Net	<u>88,078,469</u>	<u>98,171,755</u>	<u>105,455,340</u>
	<u>\$ 222,526,476</u>	<u>\$ 241,178,747</u>	<u>\$ 255,804,282</u>

Additional information on the BCUA's long-term debt can be found in the Notes to the 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.

**FINANCIAL STATEMENTS**

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Unrestricted Current Assets</b>		
Cash and Cash Equivalents	\$ 26,321,421	\$ 26,068,976
Accrued Interest Receivable	1,554	1,225
Accounts Receivable - (net of allowance)	1,398,310	1,757,454
Inventory	4,155,901	3,897,222
Prepaid Items	<u>248,311</u>	<u>231,589</u>
Total Unrestricted Current Assets	<u>32,125,497</u>	<u>31,956,466</u>
<b>Restricted Current Assets</b>		
Revenue Account		
Cash and Cash Equivalents	1,013,977	1,000,538
Bond Reserve Account		
Cash and Cash Equivalents	15,147,298	14,946,491
Accrued Interest Receivable	100,333	130,789
Bond Issuance Account		
Cash and Cash Equivalents	93,576	93,546
Bond Service Account		
Cash and Cash Equivalents	289,685	265,546
Construction Account		
Cash and Cash Equivalents	7,040,862	8,063,409
Renewal and Replacement Account		
Cash and Cash Equivalents	1,000,424	1,000,344
Unemployment Claims Account		
Cash and Cash Equivalents	298,628	262,409
Solid Waste Escrow		
Cash and Cash Equivalents	3,891,858	3,880,568
Other Assets - Funds Held by Fiscal Agent	891,988	
State Loans Receivable - NJEIT	<u>-</u>	<u>3,699,449</u>
Total Restricted Current Assets	<u>29,768,629</u>	<u>33,343,089</u>
Total Current Assets	<u>61,894,126</u>	<u>65,299,555</u>
<b>Non-Current Assets</b>		
Capital Assets		
Land and Land Improvements	5,728,514	2,515,837
Utility Plant and Infrastructure	368,350,056	368,338,145
Vehicles, Machinery and Equipment	147,009,519	145,641,051
Construction in Progress	20,962,318	25,592,845
less: Accumulated Depreciation	<u>(286,794,583)</u>	<u>(272,099,029)</u>
Total Capital Assets (net of accumulated depreciation)	<u>255,255,824</u>	<u>269,988,849</u>
Total Noncurrent Assets	<u>255,255,824</u>	<u>269,988,849</u>
Total Assets	<u>317,149,950</u>	<u>335,288,404</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Losses on Refunding	<u>1,248,838</u>	<u>1,550,948</u>
Total Deferred Outflow of Resources	<u>1,248,838</u>	<u>1,550,948</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 318,398,788</u>	<u>\$ 336,839,352</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
<b>Current Liabilities (Payable from Unrestricted Assets)</b>		
Accounts Payable	\$ 4,107,941	\$ 4,237,701
Accrued Expenses	731,410	1,104,627
Compensated Absences	365,845	369,137
Unearned Revenue	1,794,793	1,770,723
Accrued Liability for Insurance Claims	3,042,421	2,508,836
Claims Payable	976,455	972,406
Other Liabilities	158,373	133,404
	<u>11,177,238</u>	<u>11,096,834</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Revenue Bonds Payable, Current Portion	8,585,000	7,805,000
Loans Payable, Current Portion	6,653,499	6,894,619
Accrued Interest Payable	786,091	830,543
Contracts Payable	6,183,764	7,490,295
	<u>22,208,354</u>	<u>23,020,457</u>
<b>Non-Current Liabilities</b>		
Revenue Bonds Payable	125,863,007	134,879,769
Loans Payable	81,424,970	91,599,359
Compensated Absences	3,292,611	3,322,228
Post-Employment Benefits	10,103,887	9,098,149
	<u>220,684,475</u>	<u>238,899,505</u>
Total Liabilities	<u>254,070,067</u>	<u>273,016,796</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Gains on Refunding	902,177	118,037
	<u>902,177</u>	<u>118,037</u>
Total Liabilities and Deferred Inflow of Resources	<u>254,972,244</u>	<u>273,134,833</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	35,055,095	34,955,626
Restricted For:		
Operating Reserve	3,461,361	2,666,587
Debt Service	2,997,431	2,970,676
Debt Reserve	14,734,802	14,734,802
Renewal and Replacement	1,000,000	1,000,000
Solid Waste Escrow	3,891,858	3,880,568
Unemployment Insurance	298,628	262,409
Unrestricted	1,987,369	3,233,851
Total Net Position	<u>\$ 63,426,544</u>	<u>\$ 63,704,519</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
User Charges and Fees	\$ 72,090,655	\$ 71,504,365
Miscellaneous	2,445,259	2,477,010
	<u>74,535,914</u>	<u>73,981,375</u>
<b>OPERATING EXPENSES</b>		
Cost of Operations	45,462,358	43,817,962
Administration	5,509,667	5,440,615
Insurance Claims	631,273	558,986
Post-Employment Benefits- Annual Required Contribution	1,005,738	1,833,858
Depreciation	14,695,554	14,824,277
	<u>67,304,590</u>	<u>66,475,698</u>
<b>OPERATING INCOME</b>	<u>7,231,324</u>	<u>7,505,677</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	367,119	242,661
Interest Expense	(7,338,236)	(7,752,431)
Bad Debt Expense	-	(10,778)
Natural Disaster - Hurricane Sandy Expenses	(1,697,352)	(1,784,944)
Natural Disaster - Hurricane Sandy Reimbursements	616,740	
Costs of Issuance Expense	-	(47,486)
Intergovernmental Grants	542,430	600,699
	<u>(7,509,299)</u>	<u>(8,752,279)</u>
<b>CHANGE IN NET POSITION</b>	<u>(277,975)</u>	<u>(1,246,602)</u>
Total Net Position, January 1,	63,704,519	65,034,819
Prior Period Adjustment	-	(83,698)
Total Net Position, January 1, as restated	<u>63,704,519</u>	<u>64,951,121</u>
Total Net Position, December 31	<u>\$ 63,426,544</u>	<u>\$ 63,704,519</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 74,895,058	\$ 74,134,392
Cash Paid to Suppliers	(27,701,031)	(24,153,133)
Cash Paid for Salaries and Benefits	<u>(24,150,951)</u>	<u>(24,818,994)</u>
Net Cash Provided by Operating Activities	<u>23,043,076</u>	<u>25,162,265</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Intergovernmental Grants	566,500	551,100
Natural Disaster - Hurricane Sandy Reimbursements	616,740	-
Natural Disaster - Hurricane Sandy Expenses	<u>(1,697,352)</u>	<u>(1,784,944)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>(514,112)</u>	<u>(1,233,844)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
NJ EIT Loan Proceeds	131,494	4,344,145
Principal Payment - Refunded Loans	-	(1,948,650)
Principal Payment - Revenue Bonds	(7,805,000)	(6,500,000)
Principal Payment - Loans	(6,894,620)	(6,790,109)
Payment of Debt Issuance Costs	-	(47,486)
Acquisition of Capital Assets	(1,518,411)	(5,242,434)
Disposal of Capital Assets	249,351	-
Interest Paid - Bonds, Notes and Leases	<u>(7,573,122)</u>	<u>(7,997,317)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(23,410,308)</u>	<u>(24,181,851)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received	<u>397,246</u>	<u>220,712</u>
Net Cash Provided by Investing Activities	<u>397,246</u>	<u>220,712</u>
Net (Decrease) in Cash and Cash Equivalents	<u>(484,098)</u>	<u>(32,718)</u>
Cash and Cash Equivalents, January 1	<u>55,581,827</u>	<u>55,614,545</u>
Cash and Cash Equivalents, December 31,	<u>\$ 55,097,729</u>	<u>\$ 55,581,827</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Equivalents	\$ 26,321,421	\$ 26,068,976
Restricted - Cash and Equivalents	<u>28,776,308</u>	<u>29,512,851</u>
	<u>\$ 55,097,729</u>	<u>\$ 55,581,827</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 7,231,324	\$ 7,505,677
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	14,695,554	14,824,277
Provision for Uncollectible Accounts	-	(10,778)
(Increase)/Decrease in Accounts Receivable	359,144	192,987
(Increase)/Decrease in Inventory	(258,679)	(149,689)
(Increase)/Decrease in Prepaid Items	(16,722)	(19,461)
Increase/(Decrease) in Accounts Payable	(129,760)	1,553,813
Increase/(Decrease) in Accrued Expenses	(373,217)	(889,811)
Increase/(Decrease) in Accrued Compensated Absences	(32,909)	(277,633)
Increase/(Decrease) in Other Liabilities	24,969	33,125
Increase/(Decrease) in Claims Payable	4,049	454,564
Increase/(Decrease) in Accrued Liability for Insurance Claims	533,585	111,335
Increase/(Decrease) in Post-Employment Benefits	1,005,738	1,833,859
Total Adjustments	<u>15,811,752</u>	<u>17,656,588</u>
Net Cash Provided by Operating Activities	<u>\$ 23,043,076</u>	<u>\$ 25,162,265</u>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Purchase of Capital Assets on Account	\$ 6,183,764	\$ 7,490,295
Original Issue Premium	(492,544)	(582,260)
Deferred Loss on Refunding	302,110	372,002
Issuance of Long-Term Debt - NJEIT Loan		1,273,907
Original Issue Premium - NJEIT Loan		39,614

**NOTES TO FINANCIAL STATEMENTS**

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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 Authority 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. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing 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, however, the Authority would be includable as a component unit of the County of Bergen.

THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. New Accounting Standards**

The Authority has adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.
- GASB 65, *Items Previously Reported as Assets and Liabilities*, although not required to be implemented until next year, the Authority elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Other accounting standards that the Authority is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*, will be effective beginning with the year ending December 31, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the year ending December 31, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The Authority does not expect this Statement to impact its financial statements.
- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the year ending December 31, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The Authority does not expect this Statement to impact its financial statements.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

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, deferred outflows, liabilities, deferred inflows, net position, 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:

The Authority reports the following major proprietary fund:

*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.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, all deferred outflows and all liabilities, deferred inflows associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position**

***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.

***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. 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.

***6. 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.

***7. Restricted Assets***

Certain assets are classified as restricted on the statement of net position 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. In addition, certain amounts are held by Fiscal Agent (NJEIT) for future debt refundings and/or defeasances.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Continued)**

**8. *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.

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	5 Years

**9. *Deferred Outflows/Inflows of Resources***

In addition to the Authority assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category; the deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The item is the deferred gain on refunding reported in the statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**10. *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. Each year, employees who have unused sick time for the present year may elect to receive equivalent pay in exchange for said unused sick time up to one hundred and twenty (120) hours.

THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Continued)

*11. Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings 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. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

*12. Net Position*

There are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

*13. Net Position Flow Assumption*

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*14. Designated Unrestricted Net Position*

The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net position. The Board of Commissioners may formally dedicate net position to establish designations of unrestricted net position to meet policy adopted by the Board.

Designated for Subsequent Year's Budget – This designation was established to designate net position as an item of revenue in the subsequent year's budget.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Continued)**

***14. Designated Unrestricted Net Position (Continued)***

At December 31, 2013 and 2012 the unrestricted net position balances were as follows:

	<u>2013</u>	<u>2012</u>
Solid Waste Management:		
Designated for Subsequent Year's Budget	\$ 1,380,751	\$ 1,581,593
Undesignated	<u>606,318</u>	<u>1,652,258</u>
	<u>\$ 1,987,069</u>	<u>\$ 3,233,851</u>

***15. 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.

***16. Reclassifications***

Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***1. Budgets and 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 3 CREATION OF FUNDS (Continued)**

*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.

**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 for interest bearing accounts at December 31, 2013 and 2012 are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Authority's deposits was \$50,651,462 and \$51,159,131 and bank balances of the Authority's cash and deposits amounted to \$52,457,762 and \$53,582,795, respectively.

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

	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
<u>Depository Account</u>		
Insured	\$ 52,021,707	\$ 53,146,985
Uninsured and Collateralized	<u>436,055</u>	<u>435,810</u>
	<u>\$ 52,457,762</u>	<u>\$ 53,582,795</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, 2013 and 2012, the Authority's bank balance of \$436,055 and \$435,810 were exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority's name	\$ <u>436,055</u>	\$ <u>435,810</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**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.

As of December 31, 2013 and 2012, the Authority had the following investments:

	<u>Fair and Reported Value</u>	
	<u>2013</u>	<u>2012</u>
<u>Investment:</u>		
U.S. Government Securities - Money Market Funds	\$ 4,446,267	\$ 4,422,696
Cash and Cash Equivalents	<u>\$ 4,446,267</u>	<u>\$ 4,422,696</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, 2013 and 2012 \$4,446,267 and \$4,422,696 of the Authority’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority name	\$ 4,446,267	\$ 4,422,696

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.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 5 RESTRICTED ASSETS**

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

- The “Revenue Fund” account reserves all revenues received for future distribution to the various accounts of the Authority in accordance with the Bond Resolution.
- The “Bond Issuance Fund” account segregates funds that are to be used to pay for various professional and miscellaneous costs incurred with the issuance of Authority debt.
- The “Construction Fund” account segregates cash and investments that are restricted for use in construction.
- Cash and investments restricted for debt service payment on bonds are segregated in the “Bond Service Fund” account.
- Cash and investments reserved to meet future debt service contingencies are segregated in “Bond Reserve Fund” accounts.
- Cash and investments reserved for major repairs, renewals, replacements and non-routine maintenance items are segregated in “Renewal and Replacement Fund” accounts.
- The “General Fund” is used to account for the accumulation of resources resulting from excess monies which are not required to be maintained in any of the above funds.

**NOTE 6 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended December 31, 2013 and 2012:

	Balance, January 1, <u>2013</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2013</u>
Land and Land Improvements	\$ 2,515,837		\$ 3,212,677	\$ 5,728,514
Utility Plant and Infrastructure	368,338,145		11,909	368,350,054
Vehicles, Machinery and Equipment	145,641,051	\$ 92,134	1,276,335	147,009,520
Construction in Progress	<u>25,592,845</u>	<u>119,746</u>	<u>(4,750,272)</u>	<u>20,962,319</u>
	542,087,878	211,880	(249,351)	542,050,407
Less Accumulated Depreciation	<u>(272,099,029)</u>	<u>(14,695,554)</u>	<u>-</u>	<u>(286,794,583)</u>
Capital Assets, Net	<u>\$ 269,988,849</u>	<u>\$ (14,483,674)</u>	<u>\$ (249,351)</u>	<u>\$ 255,255,824</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 6 CAPITAL ASSETS (Continued)**

	Balance, January 1, <u>2012</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2012</u>
Land and Land Improvements	\$ 2,515,837			\$ 2,515,837
Utility Plant and Infrastructure	366,869,760		\$ 1,468,385	368,338,145
Vehicles, Machinery and Equipment	144,925,566	\$ 129,664	585,821	145,641,051
Construction in Progress	<u>26,532,171</u>	<u>1,114,880</u>	<u>(2,054,206)</u>	<u>25,592,845</u>
	540,843,334	1,244,544	-	542,087,878
Less Accumulated Depreciation	<u>(257,274,752)</u>	<u>(14,824,277)</u>	<u>-</u>	<u>(272,099,029)</u>
Capital Assets, Net	<u>\$ 283,568,582</u>	<u>\$ (13,579,733)</u>	<u>\$ -</u>	<u>\$ 269,988,849</u>

**NOTE 7 LONG-TERM LIABILITIES**

**A. 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 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 this issue.

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. On May 1, 2013 Ambac announced that it had emerged from bankruptcy. As of the date of this report there is no indication that in the event of a default, Ambac would be unable to meet its obligations pursuant to its municipal bond insurance policies issued concurrently with these issues.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 7 LONG-TERM LIABILITIES (Continued)**

**A. Revenue Bonds (Continued)**

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 2012 Refunding Bonds are not insured, but are guaranteed as specified in the County of Bergen guarantee ordinances.

Revenue Bonds outstanding at December 31, 2013 and 2012, consist of the following:

	<u>2013</u>	<u>2012</u>
Water Pollution Control Revenue Bonds, Series 2004A, Serial Bonds, 3.625% to 5.00% due December 15, 2013 to 2021	\$ 5,030,000	\$ 5,545,000
Water Pollution Control Subordinated ERI Refunding Bonds, (Federally Taxable, Series 2004B) 5.75% due December 15, 2013 to 2014	230,000	440,000
Water Pollution Control Revenue Bonds, Series 2005A, 5.00%, due December 15, 2013	-	1,030,000
Water Pollution Control Revenue Bonds, Series 2006A, 4.00% to 5.00%, due December 15, 2013 to 2031	24,460,000	24,865,000
Water Pollution Control BCIA Refunding Bonds, Series 2007A, 4.00% to 5.00%, due December 15, 2018 to 2021	31,855,000	31,855,000
Water Pollution Control BCIA Refunding Bonds, Series 2007B, 5.00%, due December 15, 2013 to 2017	22,625,000	25,730,000
Water Pollution Control System Acquisition Revenue Bonds, Series 2007, 4.25% to 5.00%, due December 15, 2013 to 2027	15,000,000	15,740,000
Water Pollution Control BCIA Revenue Bonds, Series 2008, 3.00% to 5.00%, due December 15, 2013 to 2029	\$ 28,765,000	\$ 29,140,000
Water Pollution Control Revenue Bonds, Series 2011A, Serial Bonds, 2.00% to 4.00%, due December 15, 2013 to 2016	<u>4,970,000</u>	<u>6,395,000</u>
<b>Total Revenue Bonds Payable</b>	<b><u>\$ 132,935,000</u></b>	<b><u>\$ 140,740,000</u></b>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 7 LONG-TERM LIABILITIES (Continued)**

**B. Intergovernmental Loans**

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>2013</u>	<u>2012</u>
New Jersey Economic Development Authority Loans, Interest Free	\$ -	\$ 322,223
New Jersey Environmental Infrastructure Trust		
Trust Loan, Series 2005	2,059,247	2,522,613
Fund Loan, Series 2005	5,029,557	5,645,758
Trust Loan, Series 2006	16,009,462	17,721,314
Fund Loan, Series 2006	40,664,382	43,658,980
Trust Loan, Series 2007	340,000	355,000
Fund Loan, Series 2007	842,101	898,138
Trust Loan, Series 2008	6,150,000	6,420,000
Fund Loan, Series 2008	13,085,676	16,759,666
Trust Loan, Series 2010	1,180,000	1,230,000
Fund Loan, Series 2010	1,114,181	1,183,818
Trust Loan, Series 2012	290,000	300,000
Fund Loan, Series 2012	839,070	940,893
Total Loans Payable	<u>\$ 87,603,676</u>	<u>\$ 97,958,403</u>

**C. Accrued Compensated Absences**

Under the existing policies of the Authority, employees are allowed to accumulate (with certain restrictions) unused sick leave and vacation benefits over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement, termination in good standing or by extended absence immediately preceding retirement. It is estimated as of that the current cost of such unpaid compensation and salary related payments would approximate \$3,658,456 and \$3,691,365 December 31, 2013 and 2012, respectively. Of this amount \$365,845 and \$369,137 is accrued as a current liability and the balances of \$3,292,611 and \$3,322,228 are reported as a long-term liability as of December 31, 2013 and 2012, respectively.

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 7 LONG-TERM LIABILITIES (Continued)**

**D. Changes in Long-Term Liabilities**

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, 2013 and 2012 was as follows:

	Balance, January 1, 2013	Additions	Reductions	Balance, December 31, 2013	Due Within One Year
<b>Revenue Bonds</b>					
Serial Bonds	\$ 140,740,000	-	\$ 7,805,000	\$ 132,935,000	\$ 8,585,000
Add: Unamortized Premium-Bonds	1,944,769	-	431,762	1,513,007	-
<b>Total Revenue Bonds - Net</b>	<b>142,684,769</b>	<b>-</b>	<b>8,236,762</b>	<b>134,448,007</b>	<b>8,585,000</b>
<b>Loans Payable</b>					
NJ EDA Loan Payable	322,223		322,223	-	-
NJ EIT Loan Payable	97,636,180		10,032,504	87,603,676	6,653,499
Add: Unamortized Premium	535,575	-	60,782	474,793	-
<b>Total Loans Payable - Net</b>	<b>98,493,978</b>	<b>-</b>	<b>10,415,509</b>	<b>88,078,469</b>	<b>6,653,499</b>
Accrued Compensated Absences	3,691,365	-	32,909	3,658,456	365,845
Post-Retirement Benefits	9,098,149	-	1,005,738	10,103,887	-
<b>Total Long-Term Liabilities, Net</b>	<b>\$ 253,968,261</b>	<b>\$ -</b>	<b>\$ 19,690,918</b>	<b>\$ 236,288,819</b>	<b>\$ 15,604,344</b>
	Balance, January 1, 2012	Additions	Reductions	Balance, December 31, 2012	Due Within One Year
<b>Revenue Bonds</b>					
Serial Bonds	\$ 147,240,000	-	\$ 6,500,000	\$ 140,740,000	\$ 7,805,000
Add: Unamortized Premium-Bonds	2,464,496	-	519,727	1,944,769	-
<b>Total Revenue Bonds - Net</b>	<b>149,704,496</b>	<b>-</b>	<b>7,019,727</b>	<b>142,684,769</b>	<b>7,805,000</b>
<b>Loans Payable</b>					
NJ EDA Loan Payable	644,446		322,223	322,223	322,223
NJ EIT Loan Payable	104,896,845	\$ (1,240,893)	8,501,558	97,636,180	6,572,396
Add: Unamortized Premium	558,495	(39,614)	62,534	535,575	-
<b>Total Loans Payable - Net</b>	<b>106,099,786</b>	<b>(1,280,507)</b>	<b>8,886,315</b>	<b>98,493,978</b>	<b>6,894,619</b>
Accrued Compensated Absences	3,968,998	-	277,633	3,691,365	369,137
Post-Retirement Benefits	7,264,290	1,833,859	-	9,098,149	-
<b>Total Long-Term Liabilities, Net</b>	<b>\$ 267,037,570</b>	<b>\$ 553,352</b>	<b>\$ 16,183,675</b>	<b>\$ 253,968,261</b>	<b>\$ 15,068,756</b>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 7 LONG-TERM LIABILITIES (Continued)**

**D. Changes in Long-Term Liabilities (Continued)**

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Year Ending December 31,	Revenue Bonds		Loans Payable		Total
	Principal	Interest	Principal	Interest	
2014	\$ 8,585,000	\$ 6,039,148	\$ 6,653,499	\$ 1,282,704	\$ 22,560,351
2015	8,965,000	5,655,985	6,732,573	1,204,434	22,557,992
2016	9,395,000	5,233,170	6,803,319	1,123,934	22,555,423
2017	9,920,000	4,789,351	6,886,440	1,039,634	22,635,425
2018	10,415,000	4,306,739	6,974,347	962,884	22,658,970
2019-2023	41,790,000	14,843,806	34,911,870	3,512,519	95,058,195
2024-2028	21,365,000	8,355,388	18,225,320	980,800	48,926,508
2029-2033	14,945,000	3,578,125	416,308	7,855	18,947,288
2034-2037	7,555,000	868,725	-	-	8,423,725
	<u>\$ 132,935,000</u>	<u>\$ 53,670,437</u>	<u>\$ 87,603,676</u>	<u>\$ 10,114,764</u>	<u>\$ 284,323,877</u>

**NOTE 8 USER CHARGES RECEIVABLES**

User charges receivable at December 31, 2013 and 2012, including the applicable allowance for doubtful accounts, consisted of the following:

	Water Pollution Control	Solid Waste Management	Total
<b><u>December 31, 2013</u></b>			
Gross User Charges Receivable	\$ 35,065	\$ 1,131,475	\$ 1,166,540
Other Accounts Receivable	216,254	15,516	231,770
	<u>251,319</u>	<u>1,146,991</u>	<u>1,398,310</u>
Less: Allowance for Doubtful Accounts	-	-	-
Accounts Receivable (Net)	<u>\$ 251,319</u>	<u>\$ 1,146,991</u>	<u>\$ 1,398,310</u>

	Water Pollution Control	Solid Waste Management	Total
<b><u>December 31, 2012</u></b>			
Gross User Charges Receivable	\$ 269,927	\$ 1,430,345	\$ 1,700,272
Other Accounts Receivable	57,182	-	57,182
	<u>327,109</u>	<u>1,430,345</u>	<u>1,757,454</u>
Less: Allowance for Doubtful Accounts	-	-	-
Accounts Receivable (Net)	<u>\$ 327,109</u>	<u>\$ 1,430,345</u>	<u>\$ 1,757,454</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 CONSTRUCTION COMMITMENTS**

As of December 31, 2013 and 2012, the Authority had the following commitments with respect to unfinished capital projects:

**2013**

<u>Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
Edgewater WPCF Outfall Extension	\$ 1,272,224	2014
RD I&I and SSO Elimination	577,455	2014
Maywood I&I Reduction Plan	302,020	2014
Palisades Park I&I Reduction Plan	345,493	2014
Teaneck Borough Reduction of Rain Ind.	546,685	2014
Tenafly Borough Reduction of Rain Ind.	321,679	2014
Lower Hackensack River Nutrient TMD	1,124,974	2014
Cresskill Borough Reduction of Rain Ind.	103,660	2014
I&I Work Plan Preparation - E. Rutherford	71,193	2014
Surface Water Modification Permit	233,911	2014
SSO Elimination Project Management	181,036	2014
Sludge Digester Improvements	799,917	2014
Overpeck Valley Relief Sewer	197,452	2014
Leonida I&I Reduction Plan	106,066	2014

**2012**

<u>Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
Edgewater WPCF Outfall Extension	\$ 1,601,275	2013
RD I&I and SSO Elimination	437,307	2013
Maywood I&I Reduction Plan	344,313	2013
Palisades Park I&I Reduction Plan	366,465	2013
Teaneck Borough Reduction of Rain Ind.	570,467	2013
Tenafly Borough Reduction of Rain Ind.	321,679	2013
Lower Hackensack River Nutrient TMD	1,608,127	2013
Surface Water Modification Permit	248,925	2013
SSO Elimination Project Management	248,020	2013
Sludge Digester Improvements	799,917	2013

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 10 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS**

The Authority's bond covenants require certain restricted funds to be on deposit at year-end. The balances required to be on deposit at December 31, 2013 and 2012 in the Water Pollution Control Funds are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
<b><u>Bond Service Fund</u></b>		
Required Balances	\$ 2,997,431	\$ 2,970,676
Cash and Investments	<u>289,685</u>	<u>265,546</u>
(Deficiency)	<u>\$ (2,707,746)</u>	<u>\$ (2,705,130)</u>
<b><u>Bond Reserve Fund</u></b>		
Required Balances	\$ 14,734,802	\$ 14,734,802
Cash and Investments	<u>15,147,298</u>	<u>14,946,491</u>
Excess Funds	<u>\$ 412,496</u>	<u>\$ 211,689</u>
<b><u>Renewal and Replacement Fund</u></b>		
Required Balances	\$ 1,000,000	\$ 1,000,000
Cash and Investments	<u>1,000,424</u>	<u>1,000,344</u>
Excess Funds	<u>\$ 424</u>	<u>\$ 344</u>

**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, 2013 and 2012, the net amounts available for the Operating Reserve were \$3,461,361 and \$2,666,587, 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 11 EMPLOYEE RETIREMENT SYSTEMS**

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

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

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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 but is currently suspended as a result of reform legislation.

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](http://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.

**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:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- It increased the active member contribution rates as follows: 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 2013, the PERS member contribution rate was 6.64%. 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 was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 11 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. The financial report 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, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS is 76.1 percent and \$12.8 billion, respectively.

The funded status and funding progress of the retirement systems includes 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 funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement and (b) changes to projected salary increases, which vary by fund.

**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 6.50% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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, 2013 and 2012, 2011, 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>
2013	\$1,228,732
2012	1,235,504
2011	1,190,838

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS**

**Plan Description**

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

**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 2013 and 2012, the Authority contributed \$2,062,718 and \$2,178,681, 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	\$ 3,118,555
Interest on Net OPEB Obligation	454,907
Adjustment to Annual Required Contribution	<u>(505,006)</u>
Annual OPEB Cost (Expense)	3,068,456
Contributions Made	<u>(2,062,718)</u>
Increase in Net OPEB Obligation	1,005,738
Net OPEB Obligation - January 1, 2013	<u>9,098,149</u>
Net OPEB Obligation - December 31, 2013	<u>\$ 10,103,887</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2013, 2012 and 2011 were as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2013	\$3,068,456	67.22%	\$10,103,887
2012	4,012,540	54.30%	9,098,149
2011	3,963,998	44.58%	7,264,290

**Funded Status and Funding Progress**

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The projected actuarial accrued liability for benefits was \$82,100,786. The Authority has no plan assets, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$82,100,786. The covered payroll (annual payroll of active employees covered by the plan) was \$14,555,003, and the ratio of the projected UAAL to the covered payroll was 545.19 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, 2013, 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, 2013 was twenty-three years.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 OTHER INFORMATION**

**A. Risk Management**

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

The 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 also offers the option of a traditional premium based health insurance plan. 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 \$95,000 for health benefits, with any excess benefit being reimbursed through a re-insurance agreement. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the Authority under existing reinsurance agreements.

Estimates of claims payable and of claims incurred, but not reported (IBNR) at December 31, 2013 and 2012, 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 \$4,019,176 and \$3,481,242 reported at December 31, 2013 and 2012, 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, 2013 and 2012 and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unpaid Claims, January 1	\$ 3,481,242	\$ 2,915,343	\$ 2,618,457
Incurred Claims	6,003,078	5,931,555	7,123,701
Less Claim Payments	<u>(5,465,144)</u>	<u>(5,365,656)</u>	<u>(6,826,815)</u>
Unpaid Claims, December 31	<u>\$ 4,019,176</u>	<u>\$ 3,481,242</u>	<u>\$ 2,915,343</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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>
2013	\$ 20,101	\$ 20,102	\$ 4,018	\$ 298,628
2012	20,132	20,133	252	262,409
2011	17,568	17,569	291	222,440

**B. Provision for Landfill Closure/Sale of Transfer Station**

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, 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 FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 OTHER INFORMATION (Continued)**

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

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.

**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, 2013 and 2012, the Authority had no estimated arbitrage earnings due to the IRS.

**E. Hurricane Sandy**

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Authority has applied for reimbursement in excess of \$3 million from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2013. As of December 31, 2013, the Authority has received \$616,740 of FEMA reimbursements relating to Hurricane Sandy.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 OTHER INFORMATION (Continued)**

**F. Subsequent Events**

On April 30, 2014 the Authority issued \$4,175,000 Water Pollution Control Revenue Refunding bonds, Series 2014 (the "Refunding Bonds") and \$5,950,000 Water Pollution Control Revenue Bonds, Series 2014 (the "New Money Bonds" and together with the Refunding Bonds, the "Bonds") through the Bergen County Improvement Authority. The sale of the Bonds was awarded to TD Securities on April 16, 2014.

The Refunding Bonds were issued to refund \$4,490,000 of the Authority's Water Pollution Control Revenue Bonds, Series 2004A maturing on December 15, 2014 through and including 2021 (the "Refunding Bonds"). The Refunded Bonds will be called on December 15, 2014 at par. The Refunding Bonds will mature through from December 15, 2015 through 2021 at interest rates of 3.00% to 5.0%.

The New Money Bonds were issued to finance various improvements to the Water Pollution Control system. The New Money Bonds will mature from December 15, 2022 through December 15, 2026 at an interest rate of 5.00%.

**SUPPLEMENTARY SCHEDULES**

**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>
2013	-	\$ 82,100,786	\$ 82,100,786	0%	\$ 14,555,003	564.1%
2012	-	83,850,266	83,850,266	0%	14,654,776	572.2%
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>
2013	\$ 3,118,555	66.14%
2012	3,340,231	65.23%
2011	3,410,290	64.41%
2010	2,893,445	59.94%
2009	2,664,595	47.17%
2008	2,875,130	19.62%
2007	361,263	100.00%

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2013**

	Water Pollution Control	Solid Waste Management	Total
<b>ASSETS</b>			
<b>Unrestricted Current Assets</b>			
Cash and Cash Equivalents	\$ 21,835,507	\$ 4,485,914	\$ 26,321,421
Accrued Interest Receivable	1,554		1,554
Accounts Receivable - (net of allowance)	35,065	1,131,475	1,166,540
Other Accounts Receivable	216,254	15,516	231,770
Internal Balances	(173,232)	173,232	
Inventory	4,155,901		4,155,901
Prepaid Items	223,567	24,744	248,311
	<u>26,294,616</u>	<u>5,830,881</u>	<u>32,125,497</u>
<b>Total Unrestricted Current Assets</b>			
<b>Restricted Current Assets</b>			
Revenue Account			
Cash and Cash Equivalents	1,013,977		1,013,977
Bond Reserve Account			
Cash and Cash Equivalents	15,147,298		15,147,298
Accrued Interest Receivable	100,333		100,333
Bond Issuance Account			
Cash and Cash Equivalents	93,576		93,576
Bond Service Account			
Cash and Cash Equivalents	289,685		289,685
Construction Account			
Cash and Cash Equivalents	7,040,862		7,040,862
Renewal and Replacement Account			
Cash and Cash Equivalents	1,000,424		1,000,424
Unemployment Insurance Account			
Cash and Cash Equivalents	289,669	8,959	298,628
Solid Waste Escrow			
Cash and Cash Equivalents		3,891,858	3,891,858
Other Assets - Funds Held by Fiscal Agent	891,988		891,988
State Loans Receivable - NJETT	-	-	-
	<u>25,867,812</u>	<u>3,900,817</u>	<u>29,768,629</u>
<b>Total Restricted Current Assets</b>			
<b>Total Current Assets</b>	<u>52,162,428</u>	<u>9,731,698</u>	<u>61,894,126</u>
<b>Non-Current Assets:</b>			
<b>Capital Assets:</b>			
Land and Land Improvements	5,728,514		5,728,514
Utility Plant and Infrastructure	368,350,056		368,350,056
Vehicles, Machinery and Equipment	147,009,519		147,009,519
Construction in Progress	20,962,318		20,962,318
less: Accumulated Depreciation	(286,794,583)	-	(286,794,583)
	<u>255,255,824</u>	<u>-</u>	<u>255,255,824</u>
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>			
<b>Total Noncurrent Assets</b>	<u>255,255,824</u>	<u>-</u>	<u>255,255,824</u>
<b>Total Assets</b>	<u>307,418,252</u>	<u>9,731,698</u>	<u>317,149,950</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Losses on Refunding	1,248,838	-	1,248,838
<b>Total Deferred Outflow of Resources</b>	<u>1,248,838</u>	<u>-</u>	<u>1,248,838</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 308,667,090</u>	<u>\$ 9,731,698</u>	<u>\$ 318,398,788</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2013**

	Water Pollution Control	Solid Waste Management	Total
<b>LIABILITIES</b>			
<b>Current Liabilities (Payable from Unrestricted Assets)</b>			
Accounts Payable	\$ 2,754,405	\$ 1,353,536	\$ 4,107,941
Accrued Expenses	522,228	209,182	731,410
Compensated Absences	360,062	5,783	365,845
Unearned Revenue		1,794,793	1,794,793
Accrued Liability for Insurance Claims	2,951,148	91,273	3,042,421
Claims Payable	947,161	29,294	976,455
Other Liabilities	153,889	4,484	158,373
	<u>7,688,893</u>	<u>3,488,345</u>	<u>11,177,238</u>
<b>Total Current Liabilities Payable from Unrestricted Assets</b>			
<b>Current Liabilities (Payable from Restricted Assets)</b>			
Revenue Bonds Payable, Current Portion	8,585,000		8,585,000
Loans Payable, Current Portion	6,653,499		6,653,499
Accrued Interest Payable	786,091		786,091
Contracts Payable	6,183,764	-	6,183,764
	<u>22,208,354</u>	<u>-</u>	<u>22,208,354</u>
<b>Total Current Liabilities Payable from Restricted Assets</b>			
<b>Non-Current Liabilities</b>			
Revenue Bonds Payable (net of unamortized premiums)	125,863,007		125,863,007
Loans Payable	81,424,970		81,424,970
Compensated Absences	3,240,561	52,050	3,292,611
Post-Employment Benefits	9,800,770	303,117	10,103,887
	<u>220,329,308</u>	<u>355,167</u>	<u>220,684,475</u>
<b>Total Non-Current Liabilities</b>			
	<u>250,226,555</u>	<u>3,843,512</u>	<u>254,070,067</u>
<b>Total Liabilities</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Gains on Refunding	902,177	-	902,177
	<u>902,177</u>	<u>-</u>	<u>902,177</u>
<b>Total Deferred Outflow of Resources</b>			
	<u>251,128,732</u>	<u>3,843,512</u>	<u>254,972,244</u>
<b>Total Liabilities and Deferred Inflow of Resources</b>			
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	35,055,095		35,055,095
Restricted For:			
Operating Reserve	3,461,361		3,461,361
Debt Service	2,997,431		2,997,431
Debt Reserve	14,734,802		14,734,802
Renewal and Replacement	1,000,000		1,000,000
Solid Waste Escrow		3,891,858	3,891,858
Unemployment Insurance	289,669	8,959	298,628
Unrestricted	-	1,987,369	1,987,369
	<u>57,538,358</u>	<u>5,888,186</u>	<u>63,426,544</u>
<b>Total Net Position</b>			

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Water Pollution <u>Control</u>	Solid Waste <u>Management</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
User Charges and Fees	\$ 66,294,932	\$ 5,795,723	\$ 72,090,655
Miscellaneous	<u>2,402,945</u>	<u>42,314</u>	<u>2,445,259</u>
Total Operating Revenues	<u>68,697,877</u>	<u>5,838,037</u>	<u>74,535,914</u>
<b>OPERATING EXPENSES</b>			
Cost of Operations	38,035,366	7,426,992	45,462,358
Allocated Administration	5,341,728	167,939	5,509,667
Insurance Claims	612,335	18,938	631,273
Post-Employment Benefits- Annual Required Contribution	975,565	30,173	1,005,738
Depreciation	<u>14,695,554</u>	<u>-</u>	<u>14,695,554</u>
Total Operating Expenses	<u>59,660,548</u>	<u>7,644,042</u>	<u>67,304,590</u>
<b>OPERATING INCOME (LOSS)</b>	<u>9,037,329</u>	<u>(1,806,005)</u>	<u>7,231,324</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment Income	337,650	29,469	367,119
Interest Expense	(7,338,236)	-	(7,338,236)
Natural Disaster - Hurricane Sandy Expenses	(1,697,352)	-	(1,697,352)
Natural Disaster - Hurricane Sandy Reimbursements	616,740	-	616,740
Intergovernmental Grants	<u>-</u>	<u>542,430</u>	<u>542,430</u>
Total Non-Operating Income (Expenses)	<u>(8,081,198)</u>	<u>571,899</u>	<u>(7,509,299)</u>
<b>CHANGE IN NET POSITION</b>	956,131	(1,234,106)	(277,975)
Total Net Position, January 1, 2013	<u>56,582,227</u>	<u>7,122,292</u>	<u>63,704,519</u>
Total Net Position, December 31, 2013	<u>\$ 57,538,358</u>	<u>\$ 5,888,186</u>	<u>\$ 63,426,544</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Water Pollution Control	Solid Waste Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 68,773,667	\$ 6,121,391	\$ 74,895,058
Cash Paid to Suppliers	(21,018,128)	(6,682,903)	(27,701,031)
Cash Paid for Salaries and Benefits	(23,070,764)	(1,080,187)	(24,150,951)
	<u>24,684,775</u>	<u>(1,641,699)</u>	<u>23,043,076</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund Transactions	(47,411)	47,411	-
Natural Disaster - Hurricane Sandy Expenses	(1,697,352)		(1,697,352)
Natural Disaster - Hurricane Sandy Reimbursements	616,740		616,740
Proceeds from Intergovernmental Grants	-	566,500	566,500
	<u>(1,128,023)</u>	<u>613,911</u>	<u>(514,112)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
NJ EIT Loan Proceeds	131,494		131,494
Principal Payment - Revenue Bonds	(7,805,000)		(7,805,000)
Principal Payment - Loans	(6,894,620)		(6,894,620)
Acquisition of Capital Assets	(1,518,411)		(1,518,411)
Disposal of Capital Assets	249,351		249,351
Interest Paid - Bonds, Notes and Loans	(7,573,122)	-	(7,573,122)
	<u>(23,410,308)</u>	<u>-</u>	<u>(23,410,308)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends Received	367,777	29,469	397,246
	<u>367,777</u>	<u>29,469</u>	<u>397,246</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	514,221	(998,319)	(484,098)
Cash and Cash Equivalents, January 1, 2013	46,196,777	9,385,050	55,581,827
Cash and Cash Equivalents, December 31, 2013	<u>\$ 46,710,998</u>	<u>\$ 8,386,731</u>	<u>\$ 55,097,729</u>
<b>Analysis of Balance at December 31, 2013</b>			
Unrestricted - Cash and Equivalents	\$ 21,835,507	\$ 4,485,914	\$ 26,321,421
Restricted - Cash and Equivalents	24,875,491	3,900,817	28,776,308
	<u>\$ 46,710,998</u>	<u>\$ 8,386,731</u>	<u>\$ 55,097,729</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Water Pollution Control</u>	<u>Solid Waste Management</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ 9,037,329	\$ (1,806,005)	\$ 7,231,324
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Depreciation	14,695,554		14,695,554
(Increase)/Decrease in Accounts Receivable	75,790	283,354	359,144
(Increase)/Decrease in Inventory	(258,679)	-	(258,679)
(Increase)/Decrease in Prepaid Items	(13,063)	(3,659)	(16,722)
Increase/(Decrease) in Accounts Payable	228,764	(358,524)	(129,760)
Increase/(Decrease) in Accrued Expenses	(568,500)	195,283	(373,217)
Increase/(Decrease) in Compensated Absences	(33,976)	1,067	(32,909)
Increase/(Decrease) in Other Liabilities	24,487	482	24,969
Increase/(Decrease) in Claims Payable	3,927	122	4,049
Increase/(Decrease) in Accrued Liability for Insurance Claim	517,577	16,008	533,585
Increase/(Decrease) in Post-Employment Benefits	975,565	30,173	1,005,738
	<u>15,647,446</u>	<u>164,306</u>	<u>15,811,752</u>
Total Adjustments			
Net Cash Provided by (Used for) Operating Activities	<u>\$ 24,684,775</u>	<u>\$ (1,641,699)</u>	<u>\$ 23,043,076</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Purchase of Capital Assets on Account	\$ 6,183,764		\$ 6,183,764
Original Issue Premium	(492,544)		(492,544)
Deferred Loss on Refunding	302,110		302,110

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**WATER POLLUTION CONTROL DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2012)

	2013 Modified Budget	2013 Actual	Variance Excess (Deficit)	2012 Actual
<b>OPERATING REVENUES</b>				
Service Agreements	\$ 65,457,540	\$ 65,668,840	\$ 211,300	\$ 63,660,839
Sewer Connection Fees	500,000	626,092	126,092	1,537,213
Miscellaneous				
Edgewater Debt Service Contribution	1,465,000	1,469,217	4,217	1,469,217
IPP Permits	280,000	326,660	46,660	289,926
Other	230,000	607,068	377,068	648,730
Total Operating Revenues	<u>67,932,540</u>	<u>68,697,877</u>	<u>765,337</u>	<u>67,605,925</u>
<b>NON-OPERATING REVENUES</b>				
Interest on Investments	300,000	335,364	35,364	184,282
Hurricane Sandy FEMA Reimbursements		616,740	616,740	-
Miscellaneous	-	-	-	246,586
Total Non-Operating Revenues	<u>300,000</u>	<u>952,104</u>	<u>652,104</u>	<u>430,868</u>
Total Water Pollution Revenues	<u>68,232,540</u>	<u>69,649,981</u>	<u>1,417,441</u>	<u>68,036,793</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>Operations &amp; Maintenance</b>				
Salaries and Wages	7,576,691	7,107,811	468,880	6,860,990
<b>Engineering</b>				
Salaries and Wages	1,030,215	1,047,114	(16,899)	930,911
Other Expenses	2,073,000	2,312,392	(239,392)	1,845,859
<b>Collection</b>				
Salaries and Wages	2,055,829	2,050,723	5,106	1,983,888
Other Expenses	875,000	565,298	309,702	666,526
<b>Compliance</b>				
Salaries and Wages	1,671,684	1,562,537	109,147	1,519,060
Other Expenses	270,000	202,549	67,451	262,256
<b>Facilities Cost</b>				
Telephone	3,000	292	2,708	2,629
Water	450,000	377,806	72,194	441,466
Electric	1,800,000	2,763,050	(963,050)	1,552,225
Gas	1,370,000	745,431	624,569	1,794,504
Fuel Oil	225,000	151,059	73,941	112,159

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**WATER POLLUTION CONTROL DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2012)

	2013 Modified Budget	2013 Actual	Variance Excess (Deficit)	2012 Actual
<b>Direct Processing</b>				
Other Expenses	\$ 1,630,000	\$ 1,467,470	\$ 162,530	\$ 1,484,228
<b>Waste Disposal</b>				
Other Expenses	5,547,000	5,634,354	(87,354)	4,830,582
<b>Contract Maintenance</b>				
Other Expenses	200,000	213,904	(13,904)	143,719
<b>Replacement Parts</b>				
Other Expenses	2,090,000	2,302,446	(212,446)	1,898,772
<b>Supplies</b>				
Other Expenses	757,000	771,874	(14,874)	850,291
<b>Safety Programs</b>				
Other Expenses	180,000	165,622	14,378	146,017
<b>Insurance</b>				
Multi-Peril	730,000	722,109	7,891	680,775
<b>Employee Benefits</b>				
Public Employees Retirement System	1,225,598	1,131,727	93,871	1,137,964
Social Security	943,583	880,729	62,854	958,464
Unemployment Insurance	274,000	171,480	102,520	195,319
Workers Compensation	600,000	311,724	288,276	581,204
Prescription/Vision Insurance	921,529	1,204,328	(282,799)	1,041,184
Health Insurance	4,330,778	4,047,662	283,116	3,715,472
Dental Insurance	205,113	237,282	(32,169)	191,984
<b>Compensated Absences</b>				
Salaries and Wages	350,000	1,395	348,605	-
<b>Total Operating Appropriations</b>	39,385,020	38,150,168	1,234,852	35,828,448
<b>Capital Outlay</b>				
Miscellaneous	100,000	92,134	7,866	136,538
<b>Total Appropriations</b>	39,485,020	38,242,302	1,242,718	35,964,986

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**WATER POLLUTION CONTROL DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Year Ended December 31, 2012)**

	2013 Modified Budget	2013 Actual	Variance Excess (Deficit)	2012 Actual
<b>NON-OPERATING APPROPRIATIONS</b>				
Bond and Loan Principal	\$ 14,377,397	\$ 14,377,397	\$ -	\$ 12,967,887
Bond and Loan Interest	7,718,402	7,573,122	145,280	8,021,730
Repayment of Port Authority Loan	322,222	322,223	(1)	322,222
Bad Debt Expense	-	-	-	10,778
Natural Disaster - Hurricane Sandy Expenses	-	1,697,352	(1,697,352)	1,784,944
Trustee Fees	285,000	178,710	106,290	247,200
	<u>22,703,021</u>	<u>24,148,804</u>	<u>(1,445,783)</u>	<u>23,354,761</u>
<b>Allocated Appropriations</b>				
<b>Inter-Depart. Costs</b>				
Salaries and Wages	2,368,513	2,328,715	39,798	2,275,746
Fringe Benefits	2,249,174	1,964,497	284,677	1,898,974
Other Expenses	1,426,812	1,048,516	378,296	916,590
	<u>6,044,499</u>	<u>5,341,728</u>	<u>702,771</u>	<u>5,091,310</u>
Total Allocated Appropriations	<u>6,044,499</u>	<u>5,341,728</u>	<u>702,771</u>	<u>5,091,310</u>
Total Appropriations	<u>68,232,540</u>	<u>67,732,834</u>	<u>499,706</u>	<u>64,411,057</u>
Budgetary Income (Loss)	<u>\$ -</u>	<u>1,917,147</u>	<u>\$ 1,917,147</u>	<u>3,625,736</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustments				
Depreciation Expense		(14,695,554)		(14,824,277)
Budgetary Capital Outlay - Capitalized		92,134		129,663
Change in Inventory		258,679		149,689
Principal Paid on Long-Term Debt		14,699,620		13,290,109
Interest Earnings - NJEIT		1,976		24,413
Change in Accrued Interest Payable, net		44,452		34,628
Change in Accrued Compensated Absences		-		11,359
Change in Net Position				
OPEB		(975,565)		(1,778,843)
Self Insurance		(612,025)		(542,216)
Unemployment Claims		34,833		38,770
Excess Bond Reserve Funds Realized as Revenue		-		(246,586)
Payment of Costs of Issuance		-		(47,486)
Amortization of Bonds, Loans Premium, Discount and Deferred Loss on Refunding		<u>190,434</u>		<u>210,258</u>
Change in Net Position - GAAP Basis		<u>\$ 956,131</u>		<u>\$ 75,217</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SOLID WASTE MANAGEMENT DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2012)

	2013 <u>Budget</u>	2013 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2012 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Cooperative Marketing/Recycling Program	\$ 6,279,300	\$ 5,752,742	\$ (526,558)	\$ 6,261,500
Program Admin. Fees	45,000	42,981	(2,019)	44,813
Miscellaneous	30,000	42,314	12,314	29,168
	<u>6,354,300</u>	<u>5,838,037</u>	<u>(516,263)</u>	<u>6,335,481</u>
<b>NON-OPERATING REVENUES</b>				
Recycling & Solid Waste Grants	817,450	542,430	(275,020)	600,699
Interest on Investments	30,000	18,169	(11,831)	39,930
Retained Earnings Appropriations	1,581,593	1,581,593	-	1,320,942
	<u>2,429,043</u>	<u>2,142,192</u>	<u>(286,851)</u>	<u>1,961,571</u>
Total Non-Operating Revenues	<u>2,429,043</u>	<u>2,142,192</u>	<u>(286,851)</u>	<u>1,961,571</u>
Total Solid Waste Revenues	<u>8,783,343</u>	<u>7,980,229</u>	<u>(803,114)</u>	<u>8,297,052</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>Planning and Administration</b>				
Salaries and Wages	74,290	78,488	(4,198)	76,366
Other Expenses	225,500	46,744	178,756	43,176
Cooperative Marketing	6,279,300	5,748,249	531,051	6,266,378
<b>Recycling</b>				
Salaries and Wages	433,701	432,355	1,346	413,499
Other Expenses	30,000	40,922	(10,922)	15,670
Entitlements	817,450	542,430	275,020	607,642
<b>Insurance</b>				
Other Expenses	80,000	74,117	5,883	75,642
<b>Employee Benefits</b>				
Public Employees Retirement System	105,051	97,005	8,046	97,540
Social Security	38,861	32,354	6,507	27,846
Unemployment Insurance	13,200	7,767	5,433	9,050
Workers Compensation	44,000	59,707	(15,707)	24,406
Health Insurance	306,696	159,406	147,290	288,157
Prescription/Vision Insurance	97,804	93,383	4,421	92,125
Compensated Absences	13,000	1,067	11,933	678
Dental Insurance	37,546	14,384	23,162	35,101
	<u>8,596,399</u>	<u>7,428,378</u>	<u>1,168,021</u>	<u>8,073,276</u>
Total Operating Appropriations	<u>8,596,399</u>	<u>7,428,378</u>	<u>1,168,021</u>	<u>8,073,276</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SOLID WASTE MANAGEMENT DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2012)

	2013 <u>Budget</u>	2013 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2012 <u>Actual</u>
<b>Allocated Appropriations</b>				
<b>Inter-Department Costs</b>				
Salaries and Wages	\$ 73,253	\$ 72,022	\$ 1,231	\$ 70,954
Fringe Benefits	69,563	63,489	6,074	71,031
Other Expenses	44,128	32,428	11,700	30,531
	<u>186,944</u>	<u>167,939</u>	<u>19,005</u>	<u>172,516</u>
Total Allocated Appropriations				
	<u>8,783,343</u>	<u>7,596,317</u>	<u>1,187,026</u>	<u>8,245,792</u>
Budgetary Income (Loss)	<u>\$ -</u>	383,912	<u>\$ 383,912</u>	51,260
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustments				
Change in Net Position				
OPEB		(30,173)		(55,015)
Self Insurance		(18,928)		(16,770)
Unemployment Claims		1,386		1,199
Solid Waste Escrow		11,290		18,449
Retained Earnings Anticipated		<u>(1,581,593)</u>		<u>(1,320,942)</u>
Change in Net Position, GAAP Basis		<u>\$ (1,234,106)</u>		<u>\$ (1,321,819)</u>

THE BERGEN COUNTY UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2013

<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	
George P. Zilocchi	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	
	Acting 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, 7/1/13-6/30/14.

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

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
EDWARD N. KERE, CPA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, 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**

## INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Bergen County Utilities Authority, as of and for the year ended December 31, 2013, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Bergen County Utilities Authority's basic financial statements, and have issued our report thereon dated May 28, 2014.

### Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bergen County Utilities Authority's financial statements are free from 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".

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bergen County Utilities Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen County Utilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

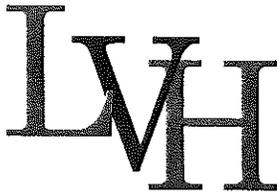


LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
May 28, 2014



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
EDWARD N. KERE, CPA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
The Bergen County Utilities Authority  
Little Ferry, New Jersey

### Report on Compliance for Each Major Federal and State Program

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 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, 2013. 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.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Bergen County Utilities Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; and 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Bergen County Utilities Authority's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Bergen County Utilities Authority complied, in all material respects, with the types of 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, 2013.

### **Report on Internal Control Over Compliance**

Management of the Bergen County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bergen County Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program 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.

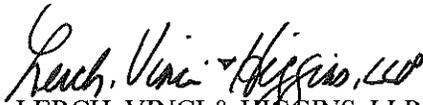
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04**

We have audited the financial statements of the Bergen County Utilities Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Bergen County Utilities Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and expenditures of state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB Circular 04-04 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and expenditures of state financial assistance are fairly stated in all material respects in relation to the 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 28, 2014



THE BERGEN COUNTY UTILITIES AUTHORITY  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2013

State Grant Program	Grant Number	Grant Period	Grant Award Amount	Cash Received	Balance, January 1, 2013	Revenue Realized	Expended	Balance, December 31, 2013	Cumulative Expenditures
New Jersey Department of Environmental Protection									
Solid Waste Administration - REA	SWST-09	1/1/11-12/31/13	\$ 570,000			\$ 370,160	\$ 370,160		\$ 570,000
Solid Waste Administration - REA Bonus	SWST-09	1/1/11-12/31/13	389,500						389,500
Solid Waste Administration	SWST-10	1/1/12-12/31/14	910,000			172,270	172,270		232,808
Solid Waste Administration	SWST-11	1/1/13-12/31/15	551,100						-
Solid Waste Administration	SWST-12	1/1/14-12/31/16	566,500	\$ 566,500					-
Environmental Infrastructure Trust Loan Program:									
Trust	42-4860-510-046-10/11	2008	6,275,447	20,308		20,308	20,308		25,282,336 (A)
Fund	42-4860-510-046-10/11	2008	17,802,720	32,874		32,874	32,874		
Trust	42-4860-150-093-020-60	2012	282,565						
Fund	42-4860-150-093-020-60	2012	921,604						
					\$ -	\$ 595,612	\$ 595,612	\$ -	

(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, 2013**

**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	\$ 542,430		\$ 542,430
Water Pollution Control Enterprise Fund	<u>53,182</u>	<u>\$ 702,087</u>	<u>755,269</u>
	<u>\$ 595,612</u>	<u>\$ 702,087</u>	<u>\$ 1,297,699</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

*Part I – Summary of Auditor’s Results*

**Financial Statement Section**

- A) Type of auditors' report issued: Unmodified
- 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: Unmodified

F) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a)) \_\_\_\_\_ yes  X  no

G) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>97.036</u>	<u>United States Department of</u>
_____	<u>Homeland Security - Disaster Grants</u>
_____	_____
_____	_____

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, 2013**

*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?  X  yes \_\_\_\_\_ no

Type of auditors' report issued on compliance for major programs:  Unmodified  \_\_\_\_\_

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>
_____	_____
_____	_____
_____	_____
SWST-09, SWST-10	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, 2013**

*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, 2013**

*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.

**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, 2013**

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

**STATUS OF PRIOR YEAR FINDINGS**

Not Applicable.

**GENERAL COMMENTS AND RECOMMENDATIONS**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**Finding** – While all debt payments are timely made and the Authority maintains adequate cash balances to sustain them, the cash balance in the Authority’s Debt Service Account for NJEIT Funding is below the required debt service funding amount.

**Recommendation** – The Authority should allocate funds to the NJEIT Debt Service Account to comply with the required debt service funding amount.

**Finding** – Our audit indicated that periodic physical inventory counts are performed and updated by Authority personnel. However, the Authority has not conducted a complete independent physical inventory count.

**Recommendation** – The Authority should consider hiring an independent contractor to perform a complete physical count of its inventory.

**Finding** – The Authority contracts with a third party administrator (the “TPA”) for the processing of their worker’s compensation and medical benefits claims. The Authority’s service provider did not submit a 2013 Report on Internal Controls (SSAE No. 16) to the Authority.

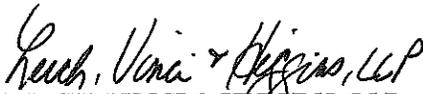
**Recommendation** – Consideration be given to obtain from their required service providers a current Report on Internal Controls (SSAE No. 16).

**Appreciation**

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

\* \* \* \* \*

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

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

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411