

THE BERGEN COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Bergen)

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2014

**THE BERGEN COUNTY UTILITIES AUTHORITY
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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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA
KEVIN LOMSKI, CPA

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

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, 2014 and 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.

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, 2014 and 2013, 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 and schedule of expenditures of state financial assistance 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 June 9, 2015 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
June 9, 2015

**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, 2014. Please read it in conjunction with the Authority's financial statements and accompanying notes.

MAJOR RESPONSIBILITIES

- 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 increased \$2,798,884.
- Cash and Investments increased \$2,418,518.
- Operating Revenues were \$79,362,476.
- Operating Expenses were \$69,220,907.
- Operating Income was \$10,141,569, as compared to the prior year operating income of \$7,231,324.

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 Management Systems; 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 financial statements also include notes that explain certain information in the financial statements and provide more detailed data.

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, 2014, 2013 and 2012 is presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 64,676,252	\$ 61,894,126	\$ 65,299,555
Capital Assets (Net of Accumulated Depreciation)	<u>251,646,369</u>	<u>255,255,824</u>	<u>269,988,849</u>
Total Assets	<u>316,322,621</u>	<u>317,149,950</u>	<u>335,288,404</u>
Deferred Outflows of Resources	<u>1,967,636</u>	<u>1,248,838</u>	<u>1,550,948</u>
Non-Current Liabilities	213,506,653	220,684,475	238,899,505
Other Liabilities	<u>37,655,999</u>	<u>33,385,592</u>	<u>34,117,291</u>
Total Liabilities	<u>251,162,652</u>	<u>254,070,067</u>	<u>273,016,796</u>
Deferred Inflows of Resources	<u>902,177</u>	<u>902,177</u>	<u>118,037</u>
Net Position			
Net Investment in Capital Assets	41,335,411	35,676,113	34,955,626
Restricted	24,157,779	25,763,062	25,515,042
Unrestricted	<u>732,238</u>	<u>1,987,369</u>	<u>3,233,851</u>
Total Net Position	<u>\$ 66,225,428</u>	<u>\$ 63,426,544</u>	<u>\$ 63,704,519</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, 2014, 2013 and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPERATING REVENUES			
User Charges and Fees	\$ 76,253,457	\$ 72,090,655	\$ 71,504,365
Miscellaneous	<u>3,109,019</u>	<u>2,445,259</u>	<u>2,477,010</u>
Total Operating Revenues	<u>79,362,476</u>	<u>74,535,914</u>	<u>73,981,375</u>
OPERATING EXPENSES			
Cost of Providing Services	47,902,230	45,462,358	43,817,962
Administration	5,575,600	5,509,667	5,440,615
Insurance Claims	192,813	631,273	558,986
Other Post-Employment Benefits - Annual Required Contribution	1,979,413	1,005,738	1,833,858
Depreciation	<u>13,570,851</u>	<u>14,695,554</u>	<u>14,824,277</u>
Total Operating Expenses	<u>69,220,907</u>	<u>67,304,590</u>	<u>66,475,698</u>
Operating Income	<u>10,141,569</u>	<u>7,231,324</u>	<u>7,505,677</u>
NON-OPERATING REVENUES (EXPENSES)			
Revenues	628,836	1,526,289	843,360
Expenses	<u>(7,971,521)</u>	<u>(9,035,588)</u>	<u>(9,595,639)</u>
Total Non-Operating Income (Expenses)	<u>(7,342,685)</u>	<u>(7,509,299)</u>	<u>(8,752,279)</u>
Change in Net Position	2,798,884	(277,975)	(1,246,602)
Net Position, January 1	<u>63,426,544</u>	<u>63,704,519</u>	<u>64,951,121</u>
Net Position, December 31	<u>\$ 66,225,428</u>	<u>\$ 63,426,544</u>	<u>\$ 63,704,519</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

The following table summarizes the capital assets for the years ended December 31, 2014, 2013 and 2012.

Water Pollution Control Fund

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 5,728,514	\$ 5,728,514	\$ 2,515,837
Utility Plant and Infrastructure	369,347,489	368,350,056	368,338,145
Vehicles, Machinery and Equipment	147,037,580	147,009,519	145,641,051
Construction in Progress	<u>29,898,221</u>	<u>20,962,318</u>	<u>25,592,845</u>
Sub-Total	552,011,804	542,050,407	542,087,878
Less Accumulated Depreciation	<u>(300,365,435)</u>	<u>(286,794,583)</u>	<u>(272,099,029)</u>
Capital Assets, Net	<u>\$ 251,646,369</u>	<u>\$ 255,255,824</u>	<u>\$ 269,988,849</u>

The Authority sold the Solid Waste transfer station in 2002; consequently, no capital assets are reported in the Solid Waste Management Division. Depreciation expense in the Water Pollution Control Division was \$13,570,851, \$14,695,554 and \$14,824,277 in 2014, 2013 and 2012, 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, net of unamortized premiums, as of December 31, 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Water Pollution Control Fund			
Revenue Bonds Payable, Net	\$ 133,410,551	\$ 134,448,007	\$ 142,684,769
NJ EDA Loan Payable	-	-	322,223
NJ EIT Loan Payable, Net	<u>80,617,019</u>	<u>88,078,469</u>	<u>98,171,755</u>
	<u>\$ 214,027,570</u>	<u>\$ 222,526,476</u>	<u>\$ 241,178,747</u>

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

OTHER FINANCIAL INFORMATION

Economic Factors And Next Year's Rates

- Funding of increased costs in the budget for capital outlay.
- Pressure to control escalating cost of employee health insurance, liability and worker's compensation insurance, and the funding of post-retirement benefits.
- Funding of increased facilities costs and replacement parts.

All of these factors were considered in preparing the Authority's 2015 budget.

The Water Pollution Control service charges budgeted for 2015 reflects an increase of approximately 2.5% over the existing user rates. In addition, the sale of treated effluent increased by \$400,000 in the 2015 Water Pollution Control budget.

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 Acting Treasurer 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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 22,229,091	\$ 26,321,421
Accrued Interest Receivable	1,746	1,554
Accounts Receivable - (net of allowance)	2,386,255	1,166,540
Other Accounts Receivable	148,215	231,770
Inventory	4,308,901	4,155,901
Prepaid Items	264,573	248,311
	<hr/>	<hr/>
Total Unrestricted Current Assets	29,338,781	32,125,497
Restricted Current Assets		
Revenue Account		
Cash and Cash Equivalents	1,803,942	1,013,977
General Account		
Cash and Cash Equivalents	490,210	-
Bond Reserve Account		
Cash and Cash Equivalents	14,781,569	15,147,298
Accrued Interest Receivable	50,315	100,333
Bond Issuance Account		
Cash and Cash Equivalents	15,102	93,576
Bond Service Account		
Cash and Cash Equivalents	1,425,797	289,685
Construction Account		
Cash and Cash Equivalents	11,531,715	7,040,862
Renewal and Replacement Account		
Cash and Cash Equivalents	1,000,424	1,000,424
Unemployment Claims Account		
Cash and Cash Equivalents	330,591	298,628
Solid Waste Escrow		
Cash and Cash Equivalents	3,907,806	3,891,858
Other Assets - Funds Held by Fiscal Agent	-	891,988
	<hr/>	<hr/>
Total Restricted Current Assets	35,337,471	29,768,629
	<hr/>	<hr/>
Total Current Assets	64,676,252	61,894,126
Non-Current Assets		
Capital Assets		
Land and Land Improvements	5,728,514	5,728,514
Utility Plant and Infrastructure	369,347,489	368,350,056
Vehicles, Machinery and Equipment	147,037,580	147,009,519
Construction in Progress	29,898,221	20,962,318
less: Accumulated Depreciation	(300,365,435)	(286,794,583)
	<hr/>	<hr/>
Total Capital Assets (net of accumulated depreciation)	251,646,369	255,255,824
Total Noncurrent Assets	<hr/>	<hr/>
	251,646,369	255,255,824
Total Assets	<hr/>	<hr/>
	316,322,621	317,149,950
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Refunding of Debt	<hr/>	<hr/>
	1,967,636	1,248,838
Total Deferred Outflow of Resources	<hr/>	<hr/>
	1,967,636	1,248,838
Total Assets and Deferred Outflow of Resources	<hr/>	<hr/>
	\$ 318,290,257	\$ 318,398,788

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 5,234,552	\$ 4,107,941
Escrow Deposits Payable	50,534	
Accrued Expenses	522,103	731,410
Compensated Absences	330,917	365,845
Unearned Revenue	2,148,013	1,794,793
Accrued Liability for Insurance Claims	3,275,022	3,042,421
Claims Payable	854,451	976,455
Other Liabilities	<u>53,635</u>	<u>158,373</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>12,469,227</u>	<u>11,177,238</u>
Current Liabilities (Payable from Restricted Assets)		
Revenue Bonds Payable, Current Portion	8,925,000	8,585,000
Loans Payable, Current Portion	6,657,475	6,653,499
Accrued Interest Payable	723,735	786,091
Contracts Payable	<u>8,880,562</u>	<u>6,183,764</u>
Total Current Liabilities Payable from Restricted Assets	<u>25,186,772</u>	<u>22,208,354</u>
Non-Current Liabilities		
Revenue Bonds Payable	124,485,551	125,863,007
Loans Payable	73,959,544	81,424,970
Compensated Absences	2,978,258	3,292,611
Post-Employment Benefits	<u>12,083,300</u>	<u>10,103,887</u>
Total Non-Current Liabilities	<u>213,506,653</u>	<u>220,684,475</u>
Total Liabilities	<u>251,162,652</u>	<u>254,070,067</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Gains on Refunding of Debt	<u>902,177</u>	<u>902,177</u>
Total Deferred Outflow of Resources	<u>902,177</u>	<u>902,177</u>
Total Liabilities and Deferred Inflow of Resources	<u>252,064,829</u>	<u>254,972,244</u>
NET POSITION		
Net Investment in Capital Assets	41,335,411	35,055,095
Restricted For:		
Operating Reserve	1,189,116	3,461,361
Debt Service	3,000,292	2,997,431
Debt Reserve	14,729,974	14,734,802
Renewal and Replacement	1,000,000	1,000,000
Solid Waste Escrow	3,907,806	3,891,858
Unemployment Insurance	330,591	298,628
Unrestricted	<u>732,238</u>	<u>1,987,369</u>
Total Net Position	<u>\$ 66,225,428</u>	<u>\$ 63,426,544</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
User Charges and Fees	\$ 76,253,457	\$ 72,090,655
Miscellaneous	3,109,019	2,445,259
	<u>79,362,476</u>	<u>74,535,914</u>
OPERATING EXPENSES		
Cost of Operations	47,902,230	45,462,358
Administration	5,575,600	5,509,667
Insurance Claims	192,813	631,273
Other Post-Employment Benefits- ARC	1,979,413	1,005,738
Depreciation	13,570,851	14,695,554
	<u>69,220,907</u>	<u>67,304,590</u>
OPERATING INCOME	<u>10,141,569</u>	<u>7,231,324</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	371,556	367,119
Interest Expense	(6,973,487)	(7,338,236)
Natural Disaster - Hurricane Sandy Expenses	(363,823)	(1,697,352)
Natural Disaster - Hurricane Sandy Reimbursements	-	616,740
Costs of Issuance Expense	(634,211)	
Intergovernmental Grants	257,280	542,430
	<u>(7,342,685)</u>	<u>(7,509,299)</u>
CHANGE IN NET POSITION	2,798,884	(277,975)
Total Net Position, January 1,	<u>63,426,544</u>	<u>63,704,519</u>
Total Net Position, December 31	<u>\$ 66,225,428</u>	<u>\$ 63,426,544</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 78,226,316	\$ 74,895,058
Cash Paid to Suppliers	(27,688,299)	(27,701,031)
Cash Paid for Salaries and Benefits	(25,527,190)	(24,150,951)
	<u>25,010,827</u>	<u>23,043,076</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Intergovernmental Grants	610,500	566,500
Natural Disaster - Hurricane Sandy Reimbursements	-	616,740
Natural Disaster - Hurricane Sandy Expenses	(363,823)	(1,697,352)
	<u>246,677</u>	<u>(514,112)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Revenue Bond Proceeds	36,569,710	
NJ EIT Loan Proceeds	-	131,494
Principal Payment - Refunded Bonds	(28,090,000)	
Payment to Escrow Account - Refunded Bonds	(1,313,571)	
Principal Payment - Revenue Bonds	(8,585,000)	(7,805,000)
Principal Payment - Loans	(6,648,379)	(6,894,620)
Payment of Costs of Issuance	(634,211)	-
Acquisition of Capital Assets	(7,264,601)	(1,518,411)
Disposal of Capital Assets	-	249,351
Interest Paid - Bonds, Notes and Leases	(7,294,316)	(7,573,122)
	<u>(23,260,368)</u>	<u>(23,410,308)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	421,382	397,246
	<u>421,382</u>	<u>397,246</u>
Net Change in Cash and Cash Equivalents	2,418,518	(484,098)
Cash and Cash Equivalents, January 1	55,097,729	55,581,827
Cash and Cash Equivalents, December 31,	<u>\$ 57,516,247</u>	<u>\$ 55,097,729</u>
Analysis of Balance at December 31,		
Cash and Equivalents		
Unrestricted	\$ 22,229,091	\$ 26,321,421
Restricted	35,287,156	28,776,308
	<u>\$ 57,516,247</u>	<u>\$ 55,097,729</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	\$ 10,141,569	\$ 7,231,324
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	13,570,851	14,695,554
(Increase)/Decrease in Accounts Receivable	(1,219,715)	533,732
(Increase)/Decrease in Other Accounts Receivable	83,555	(174,588)
(Increase)/Decrease in Inventory	(153,000)	(258,679)
(Increase)/Decrease in Prepaid Items	(16,262)	(16,722)
Increase/(Decrease) in Accounts Payable	1,126,611	(129,760)
Increase/(Decrease) in Escrow Deposits Payable	50,534	
Increase/(Decrease) in Accrued Expenses	(209,307)	(373,217)
Increase/(Decrease) in Accrued Compensated Absences	(349,281)	(32,909)
Increase/(Decrease) in Other Liabilities	(104,738)	24,969
Increase/(Decrease) in Claims Payable	(122,004)	4,049
Increase/(Decrease) in Accrued Liability for Insurance Claims	232,601	533,585
Increase/(Decrease) in Other Post-Employment Benefits	1,979,413	1,005,738
	<u>14,869,258</u>	<u>15,811,752</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>\$ 25,010,827</u>	<u>\$ 23,043,076</u>
Noncash Investing, Capital and Financing Activities:		
Purchase of Capital Assets on Account	\$ 8,880,562	\$ 6,183,764
Original Issue Premium	(990,118)	(492,544)
Deferred Amount on Refunding of Debt	719,330	302,110
Deferred Gain on Refunding of Debt	-	784,140
Principal Paid on Loans from Funds Held by Fiscal Agent	755,119	2,675,967
Interest Paid on Loans from Funds Held by Fiscal Agent	12,315	
Payment to Escrow Account from Funds Held by Fiscal Agent	124,557	

NOTES TO FINANCIAL STATEMENTS

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards

During fiscal years 2014 and 2013, the Authority adopted the following GASB statements:

- 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 District 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.
- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*. 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.

The other accounting standard that the Authority is currently reviewing for applicability and potential impact on the financial statements is:

- 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.

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 the Water Pollution Control and Solid Waste Management Funds 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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 or intrafund amounts receivable and payable have been eliminated and therefore are not reported in the financial statements.

Reclassifications

Certain reclassifications may have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

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 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, 2014 AND 2013**

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. 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, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Capital Assets

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

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

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

8. 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 future periods 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 future periods 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.

9. Compensated Absences

Sick leave and in certain instances vacation benefits are accrued as a liability as the benefits are accrued if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employee for the benefits. 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, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. 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.

11. 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.

12. 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.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

14. 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.

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.

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

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

2. 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. At December 31, 2014 and 2013 the Board designated \$1,368,230 and \$1,380,751 of the unrestricted Solid Waste Management Fund net position to balance the 2015 and 2014 Authority budget.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 AND 2013**

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 at December 31, 2014 and 2013 are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the Authority's deposits was \$47,561,286 and \$50,651,462 and bank balances of the Authority's cash and deposits amounted to \$51,966,041 and \$52,457,762, respectively.

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured	\$ 51,529,735	\$ 52,021,707
Uninsured and Collateralized	<u>436,306</u>	<u>436,055</u>
	<u>\$ 51,966,041</u>	<u>\$ 52,457,762</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, 2014 and 2013, the Authority's bank balance of \$436,306 and \$436,055 were exposed to custodial credit risk as follows:

Uninsured and Collateralized:	<u>Fair Value</u>	
	<u>2014</u>	<u>2013</u>
Collateral held by pledging financial institutions' trust department or agent but not in the Authority's name	<u>\$ 436,306</u>	<u>\$ 436,055</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013, the Authority had the following investments:

	<u>Fair Value</u>	
	<u>2014</u>	<u>2013</u>
<u>Investment:</u>		
U.S. Government Securities - Money Market Funds	\$ 9,954,961	\$ 4,446,267
Cash and Cash Equivalents	<u>\$ 9,954,961</u>	<u>\$ 4,446,267</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, 2014 and 2013 \$9,954,961 and \$4,446,267 of the Authority’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2014</u>	<u>2013</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority name	\$ 9,954,961	\$ 4,446,267

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.

Credit Risk – The Bond Resolution and State law (N.J.S.A. 40A:5-15.1) limits investments as noted above. The Authority does not have an investment policy that would further limit its investment choices.

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 market prices and values provided by the respective financial institution.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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.
- Cash and investments reserved to meet future debt service contingencies are segregated in “Bond Reserve Fund” accounts.
- 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.
- Cash and investments restricted for debt service payment on bonds are segregated in the “Bond Service Fund” account.
- The “Construction Fund” account segregates cash and investments that are restricted for use in construction.
- 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 USER CHARGES AND OTHER ACCOUNTS RECEIVABLES

User charges and other accounts receivable at December 31, 2014 and 2013, including the applicable allowance for doubtful accounts, consisted of the following:

	Water Pollution Control	Solid Waste Management	Total
<u>December 31, 2014</u>			
Gross User Charges Receivable	\$ 1,193,478	\$ 1,192,777	\$ 2,386,255
Other Accounts Receivable	<u>148,209</u>	<u>6</u>	<u>148,215</u>
	1,341,687	1,192,783	2,534,470
Less: Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>-</u>
Accounts Receivable (Net)	<u>\$ 1,341,687</u>	<u>\$ 1,192,783</u>	<u>\$ 2,534,470</u>
<u>December 31, 2013</u>			
Gross User Charges Receivable	\$ 35,065	\$ 1,131,475	\$ 1,166,540
Other Accounts Receivable	<u>216,254</u>	<u>15,516</u>	<u>231,770</u>
	251,319	1,146,991	1,398,310
Less: Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>-</u>
Accounts Receivable (Net)	<u>\$ 251,319</u>	<u>\$ 1,146,991</u>	<u>\$ 1,398,310</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 7 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2014 and 2013:

	Balance, January 1, <u>2014</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2014</u>
Land and Land Improvements	\$ 5,728,514			\$ 5,728,514
Utility Plant and Infrastructure	368,350,056		\$ 997,433	369,347,489
Vehicles, Machinery and Equipment	147,009,519	\$ 28,061	-	147,037,580
Construction in Progress	<u>20,962,318</u>	<u>9,933,336</u>	<u>(997,433)</u>	<u>29,898,221</u>
	542,050,407	9,961,397	-	552,011,804
Less Accumulated Depreciation	<u>(286,794,583)</u>	<u>(13,570,852)</u>	<u>-</u>	<u>(300,365,435)</u>
Capital Assets, Net	<u>\$ 255,255,824</u>	<u>\$ (3,609,455)</u>	<u>\$ -</u>	<u>\$ 251,646,369</u>
	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		11,911	368,350,056
Vehicles, Machinery and Equipment	145,641,051	\$ 92,134	1,276,334	147,009,519
Construction in Progress	<u>25,592,845</u>	<u>119,746</u>	<u>(4,750,273)</u>	<u>20,962,318</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, 2014 AND 2013**

NOTE 8 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 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 and Series 2014, Water Pollution Control Revenue Refunding 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 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, 2011 Refunding Bonds, 2014 BCIA Revenue Bonds and 2014 BCIA Refunding Bonds are not insured, but are guaranteed as specified in the County of Bergen guarantee ordinances.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 8 LONG-TERM LIABILITIES (Continued)

A. Revenue Bonds (Continued)

Revenue Bonds outstanding at December 31, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Water Pollution Control Revenue Bonds, Series 2004A, Serial Bonds,		\$ 5,030,000
Water Pollution Control Subordinated ERI Refunding Bonds, (Federally Taxable, Series 2004B)		230,000
Water Pollution Control Revenue Bonds, Series 2006A, 4.10%, due December 15, 2013 to 2031	\$ 440,000	24,460,000
Water Pollution Control BCIA Refunding Bonds, Series 2007A, 4.00%, 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	17,985,000	22,625,000
Water Pollution Control System Acquisition Revenue Bonds, Series 2007, 4.25% to 5.00%, due December 15, 2013 to 2027	14,225,000	15,000,000
Water Pollution Control BCIA Revenue Bonds, Series 2008, 4.00% to 5.00%, due December 15, 2013 to 2029	28,390,000	28,765,000
Water Pollution Control Revenue Bonds, Series 2011A, Serial Bonds, 4.00%, due December 15, 2013 to 2016	3,365,000	4,970,000
Water Pollution Control BCIA Revenue Bonds, Series 2014, 5.00%, due December 15, 2015 to 2026	5,950,000	
Water Pollution Control BCIA Refunding Bonds, Series 2014, 3.00% to 5.00%, due December 15, 2015 to 2026	4,175,000	
Water Pollution Control Revenue Refunding Bonds, Series 2014, 3.00% to 5.00%, due December 15, 2016 to 2031	<u>22,715,000</u>	<u>-</u>
Total Revenue Bonds Payable	<u>\$ 129,100,000</u>	<u>\$ 132,935,000</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 8 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>2014</u>	<u>2013</u>
New Jersey Environmental Infrastructure Trust		
Trust Loan, Series 2005	\$ 1,854,247	\$ 2,059,247
Fund Loan, Series 2005	4,412,900	5,029,557
Trust Loan, Series 2006	14,999,462	16,009,462
Fund Loan, Series 2006	37,430,041	40,664,382
Trust Loan, Series 2007	320,000	340,000
Fund Loan, Series 2007	777,958	842,101
Trust Loan, Series 2008	5,120,000	6,150,000
Fund Loan, Series 2008	12,041,476	13,085,676
Trust Loan, Series 2010	1,130,000	1,180,000
Fund Loan, Series 2010	1,044,545	1,114,181
Trust Loan, Series 2012	280,000	290,000
Fund Loan, Series 2012	<u>789,549</u>	<u>839,070</u>
Total Loans Payable	<u>\$ 80,200,178</u>	<u>\$ 87,603,676</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 that the current cost of such unpaid compensation and salary related payments would approximate \$3,309,175 and \$3,658,456 as of December 31, 2014 and 2013, respectively. Of this amount \$330,917 and \$365,845 is accrued as a current liability and the balances of \$2,978,258 and \$3,292,611 are reported as a long-term liability as of December 31, 2014 and 2013, respectively.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 8 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, 2014 and 2013 was as follows:

	<u>January 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2014</u>	<u>One Year</u>
Revenue Bonds					
Serial Bonds	\$ 132,935,000	32,840,000	\$ 36,675,000	\$ 129,100,000	\$ 8,925,000
Add: Unamortized Premium-Bonds	<u>1,513,007</u>	<u>3,729,710</u>	<u>932,166</u>	<u>4,310,551</u>	<u>-</u>
Total Revenue Bonds - Net	<u>134,448,007</u>	<u>36,569,710</u>	<u>37,607,166</u>	<u>133,410,551</u>	<u>8,925,000</u>
Loans Payable					
NJ EIT Loan Payable	87,603,676		7,403,498	80,200,178	6,657,475
Add: Unamortized Premium	<u>474,793</u>	<u>-</u>	<u>57,952</u>	<u>416,841</u>	<u>-</u>
Total Loans Payable - Net	<u>88,078,469</u>	<u>-</u>	<u>7,461,450</u>	<u>80,617,019</u>	<u>6,657,475</u>
Accrued Compensated Absences	3,658,456	-	349,281	3,309,175	330,917
Other Post-Retirement Benefits	<u>10,103,887</u>	<u>1,979,413</u>	<u>-</u>	<u>12,083,300</u>	<u>-</u>
Total Long-Term Liabilities, Net	<u>\$ 236,288,819</u>	<u>\$ 38,549,123</u>	<u>\$ 45,417,897</u>	<u>\$ 229,420,045</u>	<u>\$ 15,913,392</u>
	<u>Balance, January 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2013</u>	<u>Due Within One Year</u>
Revenue Bonds					
Serial Bonds	\$ 140,740,000	-	\$ 7,805,000	\$ 132,935,000	\$ 8,585,000
Add: Unamortized Premium-Bonds	<u>1,944,769</u>	<u>-</u>	<u>431,762</u>	<u>1,513,007</u>	<u>-</u>
Total Revenue Bonds - Net	<u>142,684,769</u>	<u>-</u>	<u>8,236,762</u>	<u>134,448,007</u>	<u>8,585,000</u>
Loans Payable					
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	<u>535,575</u>	<u>-</u>	<u>60,782</u>	<u>474,793</u>	<u>-</u>
Total Loans Payable - Net	<u>98,493,978</u>	<u>-</u>	<u>10,415,509</u>	<u>88,078,469</u>	<u>6,653,499</u>
Accrued Compensated Absences	3,691,365	-	32,909	3,658,456	365,845
Other Post-Retirement Benefits	<u>9,098,149</u>	<u>-</u>	<u>1,005,738</u>	<u>10,103,887</u>	<u>-</u>
Total Long-Term Liabilities, Net	<u>\$ 253,968,261</u>	<u>\$ -</u>	<u>\$ 19,690,918</u>	<u>\$ 236,288,819</u>	<u>\$ 15,604,344</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 8 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, 2014 is as follows:

Year Ending <u>December 31,</u>	Revenue Bonds		Loans Payable		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 8,925,000	\$ 5,707,932	\$ 6,657,475	\$ 1,204,434	\$ 22,494,841
2016	9,320,000	5,302,411	6,650,491	1,123,934	22,396,836
2017	9,830,000	4,869,411	6,705,607	1,039,634	22,444,652
2018	10,335,000	4,384,624	6,785,949	962,884	22,468,457
2019	10,825,000	3,904,974	6,849,296	881,834	22,461,104
2020-2024	38,245,000	13,196,984	33,814,230	3,038,513	88,294,727
2025-2029	23,200,000	6,451,113	12,650,395	578,888	42,880,396
2030-2034	12,630,000	2,687,388	86,735	1,940	15,406,063
2035-2037	5,790,000	528,750	-	-	6,318,750
	<u>\$ 129,100,000</u>	<u>\$ 47,033,587</u>	<u>\$ 80,200,178</u>	<u>\$ 8,832,061</u>	<u>\$ 265,165,826</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 CONSTRUCTION COMMITMENTS

As of December 31, 2014 and 2013, the Authority had the following commitments with respect to unfinished capital projects:

<u>Project</u>	<u>Construction Commitment</u>		<u>Estimated Date of Completion</u>
	<u>2014</u>	<u>2013</u>	
Edgewater WPCF Outfall Extension	\$ 1,243,983	\$ 1,272,224	2015
RD I&I and SSO Elimination	414,722	577,455	2015
Maywood I&I Reduction Plan	166,390	302,020	2015
Palisades Park I&I Reduction Plan	211,719	345,493	2015
Teaneck Reduction of Rain Ind.	34,165	546,685	2015
Tenaflly Reduction of Rain Ind.	321,679	321,679	2015
Lower Hackensack River Nutrient TMD	964,887	1,124,974	2015
I&I Work Plan Preparation - E. Rutherford	53,551	71,193	2015
Surface Water Modification Permit	144,797	233,911	2015
SSO Elimination Project Management	92,573	181,036	2015
Sludge Digester Improvements	799,917	799,917	2015
Overpeck Valley Relief Sewer	184,815	197,452	2015
Wastewater Management Plan Amendment	82,950		2015
RD I&I and SSO Elimination	25,337		2015
SCADA Upgrade	182,617		2015
Assessment of Sewage Force Mains	839,269		2015
Replacement of Feeders	532,000		2015
Land Surveying for Edgewater	163,270		2015
Expansion of Gas Fired Combine	2,083,374		2015
Biopower Expansion Project	317,447		2015
Cresskill Reduction of Rain Ind.	241	103,660	2014
Scum Tank #2 Concrete Pad Improvements	20,859		2014
Leonía I&I Reduction Plan	-	106,065	2014
	<u>\$ 8,880,562</u>	<u>\$ 6,183,764</u>	

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013 in the Water Pollution Control Funds are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>Bond Reserve Fund</u>		
Required Balances	\$ 14,729,974	\$ 14,734,802
Cash and Investments	<u>14,781,569</u>	<u>15,147,298</u>
Excess Funds	<u>\$ 51,595</u>	<u>\$ 412,496</u>
<u>Bond Service Fund</u>		
Required Balances	\$ 3,000,292	\$ 2,997,431
Cash and Investments	<u>1,425,797</u>	<u>289,685</u>
(Deficiency)	<u>\$ (1,574,495)</u>	<u>\$ (2,707,746)</u>
<u>Renewal and Replacement Fund</u>		
Required Balances	\$ 1,000,000	\$ 1,000,000
Cash and Investments	<u>1,000,424</u>	<u>1,000,424</u>
Excess Funds	<u>\$ 424</u>	<u>\$ 424</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, 2014 and 2013, the net amounts available for the Operating Reserve were \$1,189,116 and \$3,461,361, 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. PERS is a cost-sharing multi-employer defined benefit pension plan.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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.

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 members hired or reappointed after June 28, 2011. For Fiscal Year 2014, the PERS member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. 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, 2014 AND 2013**

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.

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 of 4.22% for PERS.

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 2013 for PERS of employees' annual compensation. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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, 2014 and 2013, 2012, 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>
2014	\$1,233,612
2013	1,228,732
2012	1,235,504

NOTE 12 OTHER 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 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 2014 and 2013, the Authority contributed \$1,713,682 and \$2,002,718, 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	\$ 3,320,696
Interest on Net OPEB Obligation	505,194
Adjustment to Annual Required Contribution	<u>(132,795)</u>
Annual OPEB Cost (Expense)	3,693,095
Contributions Made	<u>(1,713,682)</u>
Increase in Net OPEB Obligation	1,979,413
Net OPEB Obligation - January 1, 2014	<u>10,103,887</u>
Net OPEB Obligation - December 31, 2014	<u>\$ 12,083,300</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 2014, 2013 and 2012 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>
2014	\$3,693,095	46.40%	\$12,083,300
2013	3,068,456	67.22%	10,103,887
2012	4,012,540	54.30%	9,098,149

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The projected actuarial accrued liability for benefits was \$80,108,857. The Authority has no plan assets, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$80,108,857. The covered payroll (annual payroll of active employees covered by the plan) was \$15,082,997, and the ratio of the projected UAAL to the covered payroll was 531.1 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, 2014, 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, 2014 was twenty-two years.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 worker'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, 2014 and 2013, 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 \$4,129,473 and \$4,019,176 reported at December 31, 2014 and 2013, 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, 2014 and 2013 and 2012 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unpaid Claims, January 1	\$ 4,019,176	\$ 3,481,242	\$ 2,915,343
Incurred Claims	<u>5,812,326</u>	<u>6,003,078</u>	<u>5,931,555</u>
	9,831,502	9,484,320	8,846,898
Less Claim Payments	<u>(5,702,029)</u>	<u>(5,465,144)</u>	<u>(5,365,656)</u>
Unpaid Claims, December 31	<u>\$ 4,129,473</u>	<u>\$ 4,019,176</u>	<u>\$ 3,481,242</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 December 31</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014	\$ 20,204	\$ 20,205	\$ 12,940	\$ 330,591
2013	20,101	20,102	4,018	298,628
2012	20,132	20,133	252	262,409

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, 2014 AND 2013**

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 funds totaling \$96,269,967 were deposited 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, 2014 and 2013, 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. A federal disaster was declared throughout the State. The Authority 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, 2014. As of December 31, 2014, the Authority has received to date \$616,740 of FEMA reimbursements relating to Hurricane Sandy. From January 1, 2015 through March 18, 2015, the Authority received an additional \$445,520 of FEMA reimbursements.

SUPPLEMENTARY SCHEDULES

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

<u>Actuarial Valuation Date</u> <u>December 31,</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
2014	-	\$ 80,108,857	\$ 80,108,857	0%	\$ 15,082,997	531.1%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2014	\$ 3,320,696	51.61%
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%

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014

	Water Pollution Control	Solid Waste Management	Total
ASSETS			
Unrestricted Current Assets			
Cash and Cash Equivalents	\$ 19,079,240	\$ 3,149,851	\$ 22,229,091
Accrued Interest Receivable	1,746		1,746
Accounts Receivable - (net of allowance)	1,193,478	1,192,777	2,386,255
Other Accounts Receivable	148,209	6	148,215
Internal Balances	(132,440)	132,440	-
Inventory	4,308,901		4,308,901
Prepaid Items	238,164	26,409	264,573
	<u>24,837,298</u>	<u>4,501,483</u>	<u>29,338,781</u>
Restricted Current Assets			
Revenue Account			
Cash and Cash Equivalents	1,803,942		1,803,942
General Account			
Cash and Cash Equivalents	490,210		490,210
Bond Reserve Account			
Cash and Cash Equivalents	14,781,569		14,781,569
Accrued Interest Receivable	50,315		50,315
Bond Issuance Account			
Cash and Cash Equivalents	15,102		15,102
Bond Service Account			
Cash and Cash Equivalents	1,425,797		1,425,797
Construction Account			
Cash and Cash Equivalents	11,531,715		11,531,715
Renewal and Replacement Account			
Cash and Cash Equivalents	1,000,424		1,000,424
Unemployment Insurance Account			
Cash and Cash Equivalents	320,673	9,918	330,591
Solid Waste Escrow			
Cash and Cash Equivalents	-	3,907,806	3,907,806
	<u>31,419,747</u>	<u>3,917,724</u>	<u>35,337,471</u>
Total Current Assets	<u>56,257,045</u>	<u>8,419,207</u>	<u>64,676,252</u>
Non-Current Assets:			
Capital Assets:			
Land and Land Improvements	5,728,514		5,728,514
Utility Plant and Infrastructure	369,347,489		369,347,489
Vehicles, Machinery and Equipment	147,037,580		147,037,580
Construction in Progress	29,898,221		29,898,221
less: Accumulated Depreciation	(300,365,435)	-	(300,365,435)
	<u>251,646,369</u>	<u>-</u>	<u>251,646,369</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>251,646,369</u>	<u>-</u>	<u>251,646,369</u>
Total Noncurrent Assets	<u>251,646,369</u>	<u>-</u>	<u>251,646,369</u>
Total Assets	<u>307,903,414</u>	<u>8,419,207</u>	<u>316,322,621</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	1,967,636	-	1,967,636
	<u>1,967,636</u>	<u>-</u>	<u>1,967,636</u>
Total Deferred Outflow of Resources	<u>1,967,636</u>	<u>-</u>	<u>1,967,636</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 309,871,050</u>	<u>\$ 8,419,207</u>	<u>\$ 318,290,257</u>

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014

	Water Pollution Control	Solid Waste Management	Total
LIABILITIES			
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable	\$ 4,173,041	\$ 1,061,511	\$ 5,234,552
Escrow Deposits Payable	50,534	-	50,534
Accrued Expenses	506,061	16,042	522,103
Compensated Absences	325,331	5,586	330,917
Unearned Revenue	-	2,148,013	2,148,013
Accrued Liability for Insurance Claims	3,176,771	98,251	3,275,022
Claims Payable	828,817	25,634	854,451
Other Liabilities	52,202	1,433	53,635
	<u>9,112,757</u>	<u>3,356,470</u>	<u>12,469,227</u>
Total Current Liabilities Payable from Unrestricted Assets			
Current Liabilities (Payable from Restricted Assets)			
Revenue Bonds Payable, Current Portion	8,925,000		8,925,000
Loans Payable, Current Portion	6,657,475		6,657,475
Accrued Interest Payable	723,735		723,735
Contracts Payable	8,880,562	-	8,880,562
	<u>25,186,772</u>	<u>-</u>	<u>25,186,772</u>
Total Current Liabilities Payable from Restricted Assets			
Non-Current Liabilities			
Revenue Bonds Payable (net of unamortized premiums)	124,485,551		124,485,551
Loans Payable	73,959,544		73,959,544
Compensated Absences	2,927,982	50,276	2,978,258
Post-Employment Benefits	11,720,801	362,499	12,083,300
	<u>213,093,878</u>	<u>412,775</u>	<u>213,506,653</u>
Total Non-Current Liabilities			
Total Liabilities			
	<u>247,393,407</u>	<u>3,769,245</u>	<u>251,162,652</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Gains on Refunding of Debt	902,177	-	902,177
	<u>902,177</u>	<u>-</u>	<u>902,177</u>
Total Deferred Outflow of Resources			
Total Liabilities and Deferred Inflow of Resources			
	<u>248,295,584</u>	<u>3,769,245</u>	<u>252,064,829</u>
NET POSITION			
Net Investment in Capital Assets	41,335,411		41,335,411
Restricted For:			
Operating Reserve	1,189,116		1,189,116
Debt Service	3,000,292		3,000,292
Debt Reserve	14,729,974		14,729,974
Renewal and Replacement	1,000,000		1,000,000
Solid Waste Escrow		3,907,806	3,907,806
Unemployment Insurance	320,673	9,918	330,591
Unrestricted	-	732,238	732,238
	<u>61,575,466</u>	<u>4,649,962</u>	<u>66,225,428</u>
Total Net Position			

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Water Pollution Control	Solid Waste Management	Total
OPERATING REVENUES			
User Charges and Fees	\$ 70,288,357	\$ 5,965,100	\$ 76,253,457
Miscellaneous	<u>3,076,992</u>	<u>32,027</u>	<u>3,109,019</u>
Total Operating Revenues	<u>73,365,349</u>	<u>5,997,127</u>	<u>79,362,476</u>
OPERATING EXPENSES			
Cost of Operations	40,609,559	7,292,671	47,902,230
Allocated Administration	5,408,332	167,268	5,575,600
Insurance Claims	187,028	5,785	192,813
Other Post-Employment Benefits- ARC	1,920,031	59,382	1,979,413
Depreciation	<u>13,570,851</u>	<u>-</u>	<u>13,570,851</u>
Total Operating Expenses	<u>61,695,801</u>	<u>7,525,106</u>	<u>69,220,907</u>
OPERATING INCOME (LOSS)	<u>11,669,548</u>	<u>(1,527,979)</u>	<u>10,141,569</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	339,081	32,475	371,556
Interest Expense	(6,973,487)		(6,973,487)
Natural Disaster - Hurricane Sandy Expenses	(363,823)		(363,823)
Natural Disaster - Hurricane Sandy Reimbursements	-		-
Costs of Issuance Expense	(634,211)		(634,211)
Intergovernmental Grants	<u>-</u>	<u>257,280</u>	<u>257,280</u>
Total Non-Operating Income (Expenses)	<u>(7,632,440)</u>	<u>289,755</u>	<u>(7,342,685)</u>
CHANGE IN NET POSITION	4,037,108	(1,238,224)	2,798,884
Total Net Position, January 1, 2014	<u>57,538,358</u>	<u>5,888,186</u>	<u>63,426,544</u>
Total Net Position, December 31, 2014	<u>\$ 61,575,466</u>	<u>\$ 4,649,962</u>	<u>\$ 66,225,428</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Water Pollution Control	Solid Waste Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 72,274,981	\$ 5,951,335	\$ 78,226,316
Cash Paid to Suppliers	(20,772,721)	(6,915,578)	(27,688,299)
Cash Paid for Salaries and Benefits	(24,488,510)	(1,038,680)	(25,527,190)
Net Cash Provided by (Used for) Operating Activities	<u>27,013,750</u>	<u>(2,002,923)</u>	<u>25,010,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Transactions	(40,792)	40,792	-
Natural Disaster - Hurricane Sandy Expenses	(363,823)		(363,823)
Proceeds from Intergovernmental Grants	-	610,500	610,500
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(404,615)</u>	<u>651,292</u>	<u>246,677</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Revenue Bond Proceeds	36,569,710		36,569,710
Principal Payment - Refunded Bonds	(28,090,000)		(28,090,000)
Payment to Escrow Account - Refunded Bonds	(1,313,571)		(1,313,571)
Principal Payment - Revenue Bonds	(8,585,000)		(8,585,000)
Principal Payment - Loans	(6,648,379)		(6,648,379)
Payment of Costs of Issuance	(634,211)		(634,211)
Acquisition of Capital Assets	(7,264,601)		(7,264,601)
Interest Paid - Bonds, Notes and Loans	(7,294,316)	-	(7,294,316)
Net Cash (Used for) Capital and Related Financing Activities	<u>(23,260,368)</u>	<u>-</u>	<u>(23,260,368)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received	<u>388,907</u>	<u>32,475</u>	<u>421,382</u>
Net Cash Provided by Investing Activities	<u>388,907</u>	<u>32,475</u>	<u>421,382</u>
Net Change in Cash and Cash Equivalents	3,737,674	(1,319,156)	2,418,518
Cash and Cash Equivalents, January 1, 2014	<u>46,710,998</u>	<u>8,386,731</u>	<u>55,097,729</u>
Cash and Cash Equivalents, December 31, 2014	<u>\$ 50,448,672</u>	<u>\$ 7,067,575</u>	<u>\$ 57,516,247</u>
Analysis of Balance at December 31, 2014			
Cash and Equivalents			
Unrestricted	\$ 19,079,240	\$ 3,149,851	\$ 22,229,091
Restricted	<u>31,369,432</u>	<u>3,917,724</u>	<u>35,287,156</u>
	<u>\$ 50,448,672</u>	<u>\$ 7,067,575</u>	<u>\$ 57,516,247</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Water Pollution Control	Solid Waste Management	Total
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 11,669,548	\$ (1,527,979)	\$ 10,141,569
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Depreciation	13,570,851		13,570,851
(Increase)/Decrease in Accounts Receivable	(1,158,413)	(61,302)	(1,219,715)
(Increase)/Decrease in Other Accounts Receivable	68,045	15,510	83,555
(Increase)/Decrease in Inventory	(153,000)	-	(153,000)
(Increase)/Decrease in Prepaid Items	(14,597)	(1,665)	(16,262)
Increase/(Decrease) in Accounts Payable	1,418,636	(292,025)	1,126,611
Increase/(Decrease) in Escrow Deposits Payable	50,534		50,534
Increase/(Decrease) in Accrued Expenses	(16,167)	(193,140)	(209,307)
Increase/(Decrease) in Compensated Absences	(347,310)	(1,971)	(349,281)
Increase/(Decrease) in Other Liabilities	(101,687)	(3,051)	(104,738)
Increase/(Decrease) in Claims Payable	(118,344)	(3,660)	(122,004)
Increase/(Decrease) in Accrued Liability for Insurance Claim	225,623	6,978	232,601
Increase/(Decrease) in Other Post-Employment Benefits	1,920,031	59,382	1,979,413
Total Adjustments	15,344,202	(474,944)	14,869,258
Net Cash Provided by (Used for) Operating Activities	\$ 27,013,750	\$ (2,002,923)	\$ 25,010,827
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	\$ 8,880,562		\$ 8,880,562
Original Issue Premium	(990,118)		(990,118)
Deferred Amount on Refunding of Debt	719,330		719,330
Principal Paid on Loans from Funds Held by Fiscal Agent	755,119		755,119
Interest Paid on Loans from Funds Held by Fiscal Agent	12,315		12,315
Payment to Escrow Account from Funds Held by Fiscal Agent	124,557		124,557

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2014
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2013 <u>Actual</u>
OPERATING REVENUES				
Service Agreements	\$ 67,087,613	\$ 68,119,614	\$ 1,032,001	\$ 65,668,840
Sewer Connection Fees	695,000	2,168,743	1,473,743	626,092
Miscellaneous				
Edgewater Debt Service Contribution	1,465,000	1,469,217	4,217	1,469,217
Sale of Treated Effluent	600,000	1,089,148	489,148	
IPP Permits	285,000	263,570	(21,430)	326,660
Other	340,000	255,057	(84,943)	607,068
	<u>70,472,613</u>	<u>73,365,349</u>	<u>2,892,736</u>	<u>68,697,877</u>
NON-OPERATING REVENUES				
Interest on Investments	280,000	338,960	58,960	335,364
Hurricane Sandy FEMA Reimbursements	-	-	-	616,740
	<u>280,000</u>	<u>338,960</u>	<u>58,960</u>	<u>952,104</u>
Total Non-Operating Revenues	<u>280,000</u>	<u>338,960</u>	<u>58,960</u>	<u>952,104</u>
Total Water Pollution Revenues	<u>70,752,613</u>	<u>73,704,309</u>	<u>2,951,696</u>	<u>69,649,981</u>
OPERATING APPROPRIATIONS				
Operations & Maintenance				
Salaries and Wages	7,890,391	7,918,087	(27,696)	7,107,811
Engineering				
Salaries and Wages	1,090,631	964,831	125,800	1,047,114
Other Expenses	2,038,000	2,047,016	(9,016)	2,312,392
Collection				
Salaries and Wages	2,195,179	2,060,734	134,445	2,050,723
Other Expenses	775,000	740,700	34,300	565,298
Compliance				
Salaries and Wages	1,666,259	1,381,445	284,814	1,562,537
Other Expenses	270,000	203,126	66,874	202,549
Facilities Cost				
Telephone	3,000	3,262	(262)	292
Water	400,000	376,701	23,299	377,806
Electric	2,200,000	2,218,647	(18,647)	2,763,050
Gas	1,250,000	648,986	601,014	745,431
Fuel Oil	225,000	175,045	49,955	151,059

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2014
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2013 <u>Actual</u>
Direct Processing				
Other Expenses	\$ 1,617,000	\$ 1,616,280	\$ 720	\$ 1,467,470
Waste Disposal				
Other Expenses	6,152,000	6,401,497	(249,497)	5,634,354
Contract Maintenance				
Other Expenses	200,000	164,889	35,111	213,904
Replacement Parts				
Other Expenses	2,015,000	2,343,687	(328,687)	2,302,446
Supplies				
Other Expenses	757,000	802,005	(45,005)	771,874
Safety Programs				
Other Expenses	180,000	186,190	(6,190)	165,622
Insurance				
Multi-Peril	816,301	772,316	43,985	722,109
Employee Benefits				
Public Employees Retirement System	1,251,174	1,136,222	114,952	1,131,727
Social Security	982,448	939,525	42,923	880,729
Unemployment Insurance	200,000	140,966	59,034	171,480
Workers Compensation	400,000	666,176	(266,176)	311,724
Prescription/Vision Insurance	1,104,792	1,511,308	(406,516)	1,204,328
Health Insurance	4,664,679	4,692,938	(28,259)	4,047,662
Dental Insurance	368,264	316,049	52,215	237,282
Compensated Absences				
Salaries and Wages	<u>270,000</u>	<u>29,774</u>	<u>240,226</u>	<u>1,395</u>
Total Operating Appropriations	40,982,118	40,458,402	523,716	38,150,168
Capital Outlay				
Miscellaneous	<u>100,000</u>	<u>28,060</u>	<u>71,940</u>	<u>92,134</u>
Total Appropriations	<u>41,082,118</u>	<u>40,486,462</u>	<u>595,656</u>	<u>38,242,302</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2014
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2013 <u>Actual</u>
NON-OPERATING APPROPRIATIONS				
Bond and Loan Principal	\$ 15,238,497	\$ 15,233,379	\$ 5,118	\$ 14,377,397
Bond and Loan Interest	7,821,853	7,294,316	527,537	7,573,122
Repayment of Port Authority Loan			-	322,223
Natural Disaster - Hurricane Sandy Expenses		363,823	(363,823)	1,697,352
Trustee Fees	252,013	331,102	(79,089)	178,710
	<u>23,312,363</u>	<u>23,222,620</u>	<u>89,743</u>	<u>24,148,804</u>
Total Non-Operating Appropriations				
	<u>23,312,363</u>	<u>23,222,620</u>	<u>89,743</u>	<u>24,148,804</u>
Allocated Appropriations				
Inter-Depart. Costs				
Salaries and Wages	2,688,684	2,460,276	228,408	2,328,715
Fringe Benefits	2,269,059	1,872,674	396,385	1,964,497
Other Expenses	1,400,389	1,075,382	325,007	1,048,516
	<u>6,358,132</u>	<u>5,408,332</u>	<u>949,800</u>	<u>5,341,728</u>
Total Allocated Appropriations				
	<u>6,358,132</u>	<u>5,408,332</u>	<u>949,800</u>	<u>5,341,728</u>
Total Appropriations	<u>70,752,613</u>	<u>69,117,414</u>	<u>1,635,199</u>	<u>67,732,834</u>
Budgetary Income (Loss)	<u>\$ -</u>	<u>4,586,895</u>	<u>\$ 4,586,895</u>	<u>1,917,147</u>
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Depreciation Expense		(13,570,851)		(14,695,554)
Budgetary Capital Outlay - Capitalized		28,060		92,134
Change in Inventory		153,000		258,679
Principal Paid on Long-Term Debt		15,233,379		14,699,620
Interest Paid on Loans from Funds Held by Fiscal Agent		(12,315)		
Interest Earnings - NJEIT		17		1,976
Change in Accrued Interest Payable, net		62,356		44,452
Change in Net Position				
Other Post-Employment Benefits		(1,920,031)		(975,565)
Self Insurance		(186,938)		(612,025)
Unemployment Insurance		26,659		34,833
Payroll Agency		300		
Payment of Costs of Issuance		(634,211)		
Amortization of Bonds, Loans Premium, Discount and				
Deferred Amounts on Refunding of Debt		<u>270,788</u>		<u>190,434</u>
Change in Net Position - GAAP Basis		<u>\$ 4,037,108</u>		<u>\$ 956,131</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2014
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2013 <u>Actual</u>
OPERATING REVENUES				
Cooperative Marketing/Recycling Program	\$ 5,881,500	\$ 5,919,514	\$ 38,014	\$ 5,752,742
Program Admin. Fees	45,000	45,586	586	42,981
Miscellaneous	30,000	32,027	2,027	42,314
Total Operating Revenues	<u>5,956,500</u>	<u>5,997,127</u>	<u>40,627</u>	<u>5,838,037</u>
NON-OPERATING REVENUES				
Recycling & Solid Waste Grants	733,450	257,280	(476,170)	542,430
Interest on Investments	30,000	16,523	(13,477)	18,169
Retained Earnings Appropriations	1,380,751	1,380,751	-	1,581,593
Total Non-Operating Revenues	<u>2,144,201</u>	<u>1,654,554</u>	<u>(489,647)</u>	<u>2,142,192</u>
Total Solid Waste Revenues	<u>8,100,701</u>	<u>7,651,681</u>	<u>(449,020)</u>	<u>7,980,229</u>
OPERATING APPROPRIATIONS				
Planning and Administration				
Salaries and Wages	76,147	76,147	-	78,488
Other Expenses	170,500	75,284	95,216	46,744
Cooperative Marketing	5,881,500	5,912,348	(30,848)	5,748,249
Recycling				
Salaries and Wages	456,024	473,044	(17,020)	432,355
Other Expenses	-	462	(462)	40,922
Grant Entitlements	733,450	257,280	476,170	542,430
Insurance				
Other Expenses	92,351	85,738	6,613	74,117
Employee Benefits				
Public Employees Retirement System	107,243	97,390	9,853	97,005
Social Security	40,711	35,331	5,380	32,354
Unemployment Insurance	12,000	6,233	5,767	7,767
Workers Compensation	85,000	20,661	64,339	59,707
Health Insurance	143,479	148,336	(4,857)	159,406
Prescription/Vision Insurance	78,913	93,135	(14,222)	93,383
Compensated Absences	10,000	(1,971)	11,971	1,067
Dental Insurance	16,739	13,776	2,963	14,384
Total Operating Appropriations	<u>7,904,057</u>	<u>7,293,194</u>	<u>610,863</u>	<u>7,428,378</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2014
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2013 <u>Actual</u>
Allocated Appropriations				
Inter-Department Costs				
Salaries and Wages	\$ 83,155	\$ 76,091	\$ 7,064	\$ 72,022
Fringe Benefits	70,178	57,918	12,260	63,489
Other Expenses	<u>43,311</u>	<u>33,259</u>	<u>10,052</u>	<u>32,428</u>
 Total Allocated Appropriations	 <u>196,644</u>	 <u>167,268</u>	 <u>29,376</u>	 <u>167,939</u>
 Total Appropriations	 <u>8,100,701</u>	 <u>7,460,462</u>	 <u>640,239</u>	 <u>7,596,317</u>
 Budgetary Income (Loss)	 <u>\$ -</u>	 191,219	 <u>\$ 191,219</u>	 383,912
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Change in Net Position				
Other Post-Employment Benefits		(59,382)		(30,173)
Self Insurance		(5,782)		(18,928)
Unemployment Insurance		824		1,386
Payroll Agency		(300)		
Solid Waste Escrow		15,948		11,290
Retained Earnings Anticipated		<u>(1,380,751)</u>		<u>(1,581,593)</u>
 Change in Net Position, GAAP Basis		 <u>\$ (1,238,224)</u>		 <u>\$ (1,234,106)</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance January 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2014</u>
			<u>Date</u>	<u>Amount</u>					
2004 Revenue Bonds, Series A	2004	\$ 9,560,000				\$ 5,030,000	-	5,030,000	-
2004 ERI Refunding Bonds	2004	1,570,000				230,000	-	230,000	-
2006 Revenue Bonds	2006	25,985,000	12/15/2015	440,000	4.100 %	24,460,000	-	24,020,000	\$ 440,000
2007 BCIA Refunding, Series A	2007	31,855,000	12/15/2018	7,500,000	4.000	31,855,000	-	-	31,855,000
			12/15/2019	7,800,000	4.000				
			12/15/2020	8,115,000	4.000				
			12/15/2021	8,440,000	4.000				
2007 BCIA Refunding, Series B	2007	33,955,000	12/15/2015	5,090,000	5.000	22,625,000	-	4,640,000	17,985,000
			12/15/2016	5,390,000	5.000				
			12/15/2017	7,505,000	5.000				
Edgewater Acquisition Bonds	2007	18,420,000	12/15/2015	810,000	5.000	15,000,000	-	775,000	14,225,000
			12/15/2016	855,000	5.000				
			12/15/2017	895,000	5.000				
			12/15/2018	940,000	5.000				
			12/15/2019	1,000,000	5.000				
			12/15/2020	1,040,000	5.000				
			12/15/2021	1,090,000	4.250				
			12/15/2022	1,135,000	4.300				
			12/15/2023	1,185,000	4.250				
			12/15/2024	1,235,000	4.375				
			12/15/2025	1,290,000	4.250				
			12/15/2026	1,345,000	4.375				
			12/15/2027	1,405,000	4.375				

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance January 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2014</u>
			<u>Date</u>	<u>Amount</u>					
2008 Revenue Bonds	2008	\$ 29,600,000	12/15/2015	\$ 390,000	4.500 %	\$ 28,765,000	\$ -	\$ 375,000	\$ 28,390,000
			12/15/2016	410,000	4.500				
			12/15/2017	425,000	4.750				
			12/15/2018	840,000	4.750				
			12/15/2019	920,000	4.500				
			12/15/2020	955,000	4.000				
			12/15/2021	985,000	4.000				
			12/15/2022	1,025,000	4.125				
			12/15/2023	1,065,000	4.500				
			12/15/2024	1,115,000	4.500				
			12/15/2025	1,165,000	5.000				
			12/15/2026	1,220,000	5.000				
			12/15/2027	1,285,000	4.375				
			12/15/2028	1,340,000	4.375				
			12/15/2029	1,400,000	4.500				
			12/15/2030	1,460,000	5.000				
			12/15/2031	1,535,000	5.000				
			12/15/2032	1,610,000	5.000				
			12/15/2033	1,690,000	4.500				
12/15/2034	1,765,000	4.500							
12/15/2035	1,845,000	4.500							
12/15/2036	1,930,000	4.500							
12/15/2037	2,015,000	4.500							
2011 Refunding Bonds	2011	\$ 7,710,000	12/15/2015	\$ 1,670,000	4.000 %	4,970,000		1,605,000	3,365,000
			12/15/2016	1,695,000	4.000				
2014 Refunding Bonds	2014	5,950,000	12/15/2022	1,075,000	5.000 %	-	5,950,000	-	5,950,000
			12/15/2023	1,130,000	5.000				
			12/15/2024	1,190,000	5.000				
			12/15/2025	1,245,000	5.000				
			12/15/2026	1,310,000	5.000				
2014 Refunding Bonds	2014	4,175,000	12/15/2015	525,000	3.000 %	-	4,175,000	-	4,175,000
			12/15/2016	540,000	4.000				
			12/15/2017	565,000	4.000				
			12/15/2018	590,000	5.000				
			12/15/2019	620,000	5.000				
			12/15/2020	650,000	5.000				
12/15/2021	685,000	5.000							

THE BERGEN COUNTY UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2014

Authority Board Members

Andrew "Chuck" Vaccaro
Ronald Phillips
Cathy Bentz
James L. Cassella
Louis J. DeLisio
Paul A. Juliano
David J. Lorenzo
Richard D. Schooler
George P. Zilocchi

Position

Commissioner – Chairman
Commissioner – Vice Chairman
Commissioner
Commissioner
Commissioner
Commissioner
Commissioner
Commissioner
Commissioner

Authority Executive Staff

Robert E. Laux
Richard Wierer

Executive Director
Deputy Executive Director
Director of Solid Waste and
Information Technology
Acting Board Secretary
Acting Treasurer
Chief Engineer/Director of Water Pollution Control

Matthew McCarter
Eric Andersen, P.E.

Consultants and Advisors

Paul Kaufman, Esq.

General Counsel

GOVERNMENT AUDITING STANDARDS REPORT

AND

GENERAL COMMENTS AND RECOMMENDATIONS



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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA
KEVIN LOMSKI, CPA

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

**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, 2014, 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 June 9, 2015.

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.

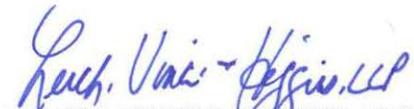
Compliance and Other Matters

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.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of The Bergen County Utilities Authority in the section of this 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
June 9, 2015

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grant Program</u>	<u>Grant Period</u>	<u>CFDA</u>	<u>State Grant Number</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2014</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2014</u>	<u>Cumulative Expenditures</u>
United States Environmental Protection Agency										
Capitalization Grants for Clean Water State Revolving Funds	FFY08	66.458	42-4860-510-046-13	\$ 16,969,703	\$ 78,312					\$ 16,969,703
United States Department of Homeland Security										
Disaster Grants - Public Assistance	2012	97.036	66-1200-100-A92-14	363,823	-	-	-	363,823	-	3,846,119
						<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363,823</u>	<u>\$ -</u>	<u>\$ 20,815,822</u>

Note: This schedule was not subject to an audit in accordance with OMB Circular A-133.

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2014

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2014</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2014</u>	<u>Cumulative Expenditures</u>
New Jersey Department of Environmental Protection									
Solid Waste Administration	SWST-10	1/1/12-12/31/14	910,000		\$ 677,194		\$ 240,472	\$ 436,722	\$ 473,278
Solid Waste Administration	SWST-11	1/1/13-12/31/15	551,100		551,100		16,808	534,292	16,808
Solid Waste Administration	SWST-12	1/1/14-12/31/16	566,500		566,500			566,500	-
Solid Waste Administration	SWST-13	1/1/15-12/31/17	610,500	\$ 610,500		\$ 610,500		610,500	-
Environmental Infrastructure Trust Loan Program:									25,282,336 (A)
Trust	42-4860-510-046-10/11	2008	6,275,447						
Fund	42-4860-510-046-10/11	2008	17,802,720						
Trust	42-4860-150-093-020-60	2012	282,565						
Fund	42-4860-150-093-020-60	2012	921,604						
					<u>\$ 1,794,794</u>	<u>\$ 610,500</u>	<u>\$ 257,280</u>	<u>\$ 2,148,014</u>	

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

Note: This schedule was not subject to an audit in accordance with OMB Circular 15-08.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014**

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:

	Operating Revenue
Solid Waste Management Enterprise Fund	\$ <u>610,500</u>

NOTE 4 STATE LOANS OUTSTANDING

The Authority's State loans outstanding at December 31, 2014 are as follows:

New Jersey Environmental Infrastructure Trust	
Trust Loan, Series 2005	\$ 1,854,247
Fund Loan, Series 2005	4,412,900
Trust Loan, Series 2006	14,999,462
Fund Loan, Series 2006	37,430,041
Trust Loan, Series 2007	320,000
Fund Loan, Series 2007	777,958
Trust Loan, Series 2008	5,120,000
Fund Loan, Series 2008	12,041,476
Trust Loan, Series 2010	1,130,000
Fund Loan, Series 2010	1,044,545
Trust Loan, Series 2012	280,000
Fund Loan, Series 2012	<u>789,549</u>
Total Loans Payable	<u>\$ 80,200,178</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

NOT APPLICABLE

State Awards

NOT APPLICABLE

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2014**

Part 3 – Schedule of Federal and State Award Findings and Responses

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 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

Not Applicable.

**THE BERGEN COUNTY UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 15-08.

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 is below the required debt service funding amount. Subsequent to December 31, 2014, the Authority funded the above deficiency.

Recommendation – The Authority should modify the timing of its transfers to the Debt Service Account to comply with the debt service funding requirements.

Finding – The Authority performed a physical inventory count in January 2015. The results of that count indicated certain differences relating to the per unit valuation amounts. In addition, movements and adjustments to inventory at the warehouse did not always have supporting documentation.

Recommendation – Internal controls over the safeguarding and valuation of the Authority’s inventory be enhanced.

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 2014 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, Acting Treasurer and the other Authority staff who assisted us during the course of our audit.

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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