

THE BERGEN COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Bergen)

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2015

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

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-9
	Basic Financial Statements	
A	Comparative Statements of Net Position	10-11
B	Comparative Statements of Revenues, Expenses and Changes in Net Position	12
C	Comparative Statements of Cash Flows	13-14
	Notes to Financial Statements	15-45
<u>Schedule</u>	Required Supplementary Information	
1	Other Post-Employment Benefits Plan Schedule of Funding Progress – Schedule of Employer Contributions	46
2	Schedule of Authority's Proportionate Share of Net Pension Liability	47
3	Schedule of Authority's Contributions	48
4	Schedule of Authority's Proportionate Share of Net Pension Liability And Schedule of Authority's Contributions Notes to Required Supplementary Information	49
	Supplementary Schedules	
5	Combining Statement of Net Position	50-51
6	Combining Statement of Revenues, Expenses and Changes in Net Position	52
7	Combining Schedule of Cash Flows	53-54
8	Schedule of Revenues and Expenses Compared to Budget Water Pollution Control Division – Budgetary Basis	55-57
9	Schedule of Revenues and Expenses Compared to Budget Solid Waste Management Division – Budgetary Basis	58-59
10	Schedule of Revenue Bonds Payable	60-62
	Roster of Officials	63
	Government Auditing Standards and Single Audit Sections	
	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	64-65
	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08	66-68
11	Schedule of Expenditures of Federal Awards	69
12	Schedule of Expenditures of State Financial Assistance	70
	Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	71
	Schedule of Findings and Questioned Costs	72-74
	Summary Schedule of Prior Year Audit Findings	75
	General Comments and Recommendations	76



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
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Bergen County Utilities Authority, a component unit of the County of Bergen as of and for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the year ended December 31, 2015, The Bergen County Utilities Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information 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 as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2016 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 13, 2016

**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, 2015. Please read it in conjunction with the Authority's financial statements and accompanying notes. Certain comparative information between the current year (2015) and the previous two years (2014 and 2013) are required to be presented in the MD&A.

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 \$4,632,665.
- Cash and Investments increased \$7,872,396.
- Operating Revenues were \$79,919,130, an increase of \$556,654 from 2014.
- Operating Expenses were \$70,318,512, an increase of \$446,070 from 2014.
- Operating Income was \$9,600,618, as compared to the prior year operating income of \$9,490,034.

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.

These 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)

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The financial statements report the Authority's net position and how it has changed. Net position – the difference between the Authority's assets, deferred outflows and liabilities, deferred inflows – is one way to measure the Authority's financial health or position.

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the Authority's customer base, its major suppliers of goods and services, regulatory changes and the condition of the Authority buildings, other facilities and equipment used in water pollution control and solid waste management operations.

Notes To The Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements.

Other Information

In addition to the financial statements and accompanying notes (the basic financial statements), this report also presents certain required supplementary information concerning the Authority's employee retirement system and pension plan. The required supplementary information can be found following the notes to the financial statements.

Other supplementary information concerning the Authority's operation segments and budget process is presented as supplementary schedules. The Authority operates separate water pollution control and solid waste management. Combining statements of net position, revenues, expenses and changes in net position; and cash flows present individual financial information for each system are provided as supplementary information. The Authority adopts an annual revenue and expense budget for each system on the budgetary basis. Budget to actual schedules – budgetary basis have been provided for both systems as supplementary information. The supplementary schedules can be found following the required supplementary information on the Authority's employee pension plan.

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, 2015, 2014 and 2013 is presented below:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 72,160,986	\$ 64,676,252	\$ 61,894,126
Capital Assets (Net of Accumulated Depreciation)	<u>240,213,926</u>	<u>251,646,369</u>	<u>255,255,824</u>
 Total Assets	 <u>312,374,912</u>	 <u>316,322,621</u>	 <u>317,149,950</u>
 Deferred Outflows of Resources	 <u>8,289,198</u>	 <u>4,166,147</u>	 <u>1,248,838</u>
Non-Current Liabilities	251,118,726	250,650,834	258,827,706
Other Liabilities	<u>35,643,226</u>	<u>39,291,504</u>	<u>33,385,592</u>
 Total Liabilities	 <u>286,761,952</u>	 <u>289,942,338</u>	 <u>292,213,298</u>
 Deferred Inflows of Resources	 <u>1,838,831</u>	 <u>3,115,768</u>	 <u>902,177</u>
Net Position			
Net Investment in Capital Assets	40,154,694	41,335,411	35,676,113
Restricted	19,130,564	24,157,779	25,763,062
Unrestricted	<u>(27,221,931)</u>	<u>(38,062,528)</u>	<u>(36,155,862)</u>
 Total Net Position	 <u>\$ 32,063,327</u>	 <u>\$ 27,430,662</u>	 <u>\$ 25,283,313</u>

Effective for the year ended December 31, 2015, the Authority implemented the new accounting guidance GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". As a result, the financial statements reflect the Authority's proportionate share of the Public Employees Retirement System's net pension liability and related deferred outflows of resources and deferred inflows of resources of this cost-sharing multi-employer defined benefit pension plan sponsored and administered by the State of New Jersey. The effect of implementing GASB Statement No. 68 was a reduction in the Authority's unrestricted net position of \$40,206,343 as of December 31, 2015, \$38,794,776 as of December 31, 2014 and \$37,865,256 as of December 31, 2013. The recording of these amounts caused the Authority's total net position for these years to be in a deficit position at year end as detailed above.

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, 2015, 2014 and 2013.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES			
User Charges and Fees	\$ 76,736,120	\$ 76,253,457	\$ 72,090,655
Miscellaneous	<u>3,183,010</u>	<u>3,109,019</u>	<u>2,445,259</u>
Total Operating Revenues	<u>79,919,130</u>	<u>79,362,476</u>	<u>74,535,914</u>
OPERATING EXPENSES			
Cost of Providing Services	49,323,619	48,549,074	45,462,358
Administration	5,653,175	5,580,291	5,509,667
Insurance Claims	552,391	192,813	631,273
Other Post-Employment Benefits - Annual Required Contribution	2,406,676	1,979,413	1,005,738
Depreciation	<u>12,382,651</u>	<u>13,570,851</u>	<u>14,695,554</u>
Total Operating Expenses	<u>70,318,512</u>	<u>69,872,442</u>	<u>67,304,590</u>
Operating Income	<u>9,600,618</u>	<u>9,490,034</u>	<u>7,231,324</u>
NON-OPERATING REVENUES (EXPENSES)			
Revenues	1,591,166	628,836	1,526,289
Expenses	<u>(6,559,119)</u>	<u>(7,971,521)</u>	<u>(9,035,588)</u>
Total Non-Operating Income (Expenses)	<u>(4,967,953)</u>	<u>(7,342,685)</u>	<u>(7,509,299)</u>
Change in Net Position	<u>4,632,665</u>	<u>2,147,349</u>	<u>(277,975)</u>
Net Position, January 1	27,430,662	25,283,313	63,426,544
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(37,865,256)</u>
Net Position, January 1 , as restated	<u>27,430,662</u>	<u>25,283,313</u>	<u>25,561,288</u>
Net Position, December 31	<u>\$ 32,063,327</u>	<u>\$ 27,430,662</u>	<u>\$ 25,283,313</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 one months' billing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the capital assets for the years ended December 31, 2015, 2014 and 2013.

Water Pollution Control Fund

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land and Site Improvements	\$ 5,728,514	\$ 5,728,514	\$ 5,728,514
Utility Plant and Infrastructure	370,036,761	369,347,489	368,350,056
Vehicles, Machinery and Equipment	147,367,683	147,037,580	147,009,519
Construction in Progress	<u>29,774,057</u>	<u>29,898,221</u>	<u>20,962,318</u>
Sub-Total	552,907,015	552,011,804	542,050,407
Less Accumulated Depreciation	<u>(312,693,089)</u>	<u>(300,365,435)</u>	<u>(286,794,583)</u>
Capital Assets, Net	<u>\$ 240,213,926</u>	<u>\$ 251,646,369</u>	<u>\$ 255,255,824</u>

The Authority sold the Solid Waste transfer station in 2002; consequently, there are no capital assets reported in the Solid Waste Management Division. Depreciation expense in the Water Pollution Control Division was \$12,382,651, \$13,570,851 and \$14,695,554 in 2015, 2014 and 2013, 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, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Water Pollution Control Fund			
Revenue Bonds Payable, Net	\$ 123,891,329	\$ 133,410,551	\$ 134,448,007
NJ EIT Loan Payable, Net	<u>73,869,545</u>	<u>80,617,019</u>	<u>88,078,469</u>
	<u>\$ 197,760,874</u>	<u>\$ 214,027,570</u>	<u>\$ 222,526,476</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 2016 budget.

The Water Pollution Control service charges budgeted for 2016 reflects an increase of approximately 2.2% over the existing user rates.

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, 2015 AND 2014**

EXHIBIT A

	<u>2015</u>	<u>2014</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 32,708,040	\$ 22,229,091
Accrued Interest Receivable	32,422	1,746
Accounts Receivable	1,485,117	2,386,255
Other Accounts Receivable	74,710	148,215
Inventory	4,306,180	4,308,901
Prepaid Items	<u>275,489</u>	<u>264,573</u>
Total Unrestricted Current Assets	<u>38,881,958</u>	<u>29,338,781</u>
Restricted Current Assets		
Revenue Account		
Cash and Cash Equivalents	1,052,898	1,803,942
General Account		
Cash and Cash Equivalents	490,210	490,210
Bond Reserve Account		
Cash and Cash Equivalents	14,919,538	14,781,569
Accrued Interest Receivable	86,678	50,315
Bond Issuance Account		
Cash and Cash Equivalents	15,102	15,102
Bond Service Account		
Cash and Cash Equivalents	4,345,974	1,425,797
Construction Account		
Cash and Cash Equivalents	10,484,550	11,531,715
Renewal and Replacement Account		
Cash and Cash Equivalents	1,000,021	1,000,424
Accrued Interest Receivable	2,830	
Unemployment Claims Account		
Cash and Cash Equivalents	372,310	330,591
Solid Waste Escrow		
Cash and Cash Equivalents	-	3,907,806
State Loans Receivable - NJEIT	<u>508,917</u>	<u>-</u>
Total Restricted Current Assets	<u>33,279,028</u>	<u>35,337,471</u>
Total Current Assets	<u>72,160,986</u>	<u>64,676,252</u>
Non-Current Assets		
Capital Assets		
Land and Site Improvements	5,728,514	5,728,514
Utility Plant and Infrastructure	370,036,761	369,347,489
Vehicles, Machinery and Equipment	147,367,683	147,037,580
Construction in Progress	29,774,057	29,898,221
less: Accumulated Depreciation	<u>(312,693,089)</u>	<u>(300,365,435)</u>
Total Capital Assets (net of accumulated depreciation)	<u>240,213,926</u>	<u>251,646,369</u>
Total Noncurrent Assets	<u>240,213,926</u>	<u>251,646,369</u>
Total Assets	<u>312,374,912</u>	<u>316,322,621</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Refunding of Debt	1,641,914	1,967,636
Deferred Amounts on Net Pension Liability	<u>6,647,284</u>	<u>2,198,511</u>
Total Deferred Outflow of Resources	<u>8,289,198</u>	<u>4,166,147</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 320,664,110</u>	<u>\$ 320,488,768</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014**

EXHIBIT A

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 3,817,438	\$ 5,234,552
Escrow Deposits Payable	17,588	50,534
Accrued Expenses	1,903,161	2,157,608
Compensated Absences	294,171	330,917
Unearned Revenue	2,008,271	2,148,013
Accrued Liability for Insurance Claims	3,995,409	3,275,022
Claims Payable	761,436	854,451
Other Liabilities	138,214	53,635
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	12,935,688	14,104,732
Current Liabilities (Payable from Restricted Assets)		
Revenue Bonds Payable, Current Portion	9,320,000	8,925,000
Long Term Loans Payable, Current Portion	6,650,490	6,657,475
Temporary Loan - EIT	7,952,494	-
Accrued Interest Payable	673,615	723,735
Contracts Payable	6,063,433	8,880,562
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	30,660,032	25,186,772
Non-Current Liabilities		
Revenue Bonds Payable	114,571,329	124,485,551
Long Term Loans Payable	67,219,055	73,959,544
Compensated Absences	2,647,540	2,978,258
Post-Employment Benefits	14,489,976	12,083,300
Net Pension Liability - PERS	44,238,332	37,144,181
	<hr/>	<hr/>
Total Non-Current Liabilities	243,166,232	250,650,834
Total Liabilities	<hr/>	<hr/>
	286,761,952	289,942,338
DEFERRED INFLOWS OF RESOURCES		
Deferred Gains on Refunding of Debt	917,812	902,177
Deferred Amounts on Net Pension Liability	921,019	2,213,591
	<hr/>	<hr/>
Total Deferred Outflow of Resources	1,838,831	3,115,768
Total Liabilities and Deferred Inflow of Resources	<hr/>	<hr/>
	288,600,783	293,058,106
NET POSITION		
Net Investment in Capital Assets	40,154,694	41,335,411
Restricted For:		
Operating Reserve	-	1,189,116
Debt Service	3,032,760	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
Unemployment Insurance	367,830	330,591
Unrestricted	(27,221,931)	(38,062,528)
	<hr/>	<hr/>
Total Net Position	\$ 32,063,327	\$ 27,430,662

THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
User Charges and Fees	\$ 76,736,120	\$ 76,253,457
Miscellaneous	3,183,010	3,109,019
	<u>79,919,130</u>	<u>79,362,476</u>
OPERATING EXPENSES		
Cost of Operations	49,323,619	48,549,074
Administration	5,653,175	5,580,291
Insurance Claims	552,391	192,813
Other Post-Employment Benefits- ARC	2,406,676	1,979,413
Depreciation	12,382,651	13,570,851
	<u>70,318,512</u>	<u>69,872,442</u>
	<u>9,600,618</u>	<u>9,490,034</u>
OPERATING INCOME		
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	441,498	371,556
Interest Expense	(6,300,901)	(6,973,487)
Bad Debt Expense	(675)	
Hurricane Sandy Expenses	(257,543)	(363,823)
Hurricane Sandy Reimbursements	445,626	-
Costs of Issuance Expense	-	(634,211)
Intergovernmental Grants	704,042	257,280
	<u>(4,967,953)</u>	<u>(7,342,685)</u>
CHANGE IN NET POSITION	<u>4,632,665</u>	<u>2,147,349</u>
Total Net Position, January 1,	27,430,662	63,426,544
Prior Period Adjustment	-	(38,143,231)
Total Net Position, January 1, as restated	<u>27,430,662</u>	<u>25,283,313</u>
Total Net Position, December 31	<u>\$ 32,063,327</u>	<u>\$ 27,430,662</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 80,893,098	\$ 78,226,316
Cash Paid to Suppliers	(28,906,889)	(27,688,299)
Cash Paid for Salaries and Benefits	<u>(26,637,705)</u>	<u>(25,527,190)</u>
Net Cash Provided by Operating Activities	<u>25,348,504</u>	<u>25,010,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Intergovernmental Grants	564,300	610,500
Natural Disaster - Hurricane Sandy Reimbursements	445,626	-
Natural Disaster - Hurricane Sandy Expenses	<u>(257,543)</u>	<u>(363,823)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>752,383</u>	<u>246,677</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Revenue Bond Proceeds	-	36,569,710
NJ EIT Temporary Loan Proceeds	7,443,577	-
Principal Payment - Refunded Bonds	-	(28,090,000)
Payment to Escrow Account - Refunded Bonds	-	(1,313,571)
Principal Payment - Revenue Bonds	(8,925,000)	(8,585,000)
Principal Payment - Loans	(6,657,475)	(6,648,379)
Payment of Costs of Issuance	-	(634,211)
Acquisition of Capital Assets	(3,767,337)	(7,264,601)
Interest Paid - Bonds, Notes and Leases	<u>(6,693,885)</u>	<u>(7,294,316)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(18,600,120)</u>	<u>(23,260,368)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	<u>371,629</u>	<u>421,382</u>
Net Cash Provided by Investing Activities	<u>371,629</u>	<u>421,382</u>
Net Change in Cash and Cash Equivalents	7,872,396	2,418,518
Cash and Cash Equivalents, January 1	<u>57,516,247</u>	<u>55,097,729</u>
Cash and Cash Equivalents, December 31,	<u>\$ 65,388,643</u>	<u>\$ 57,516,247</u>
Analysis of Balance at December 31,		
Cash and Equivalents		
Unrestricted	\$ 32,708,040	\$ 22,229,091
Restricted	<u>32,680,603</u>	<u>35,287,156</u>
	<u>\$ 65,388,643</u>	<u>\$ 57,516,247</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	\$ 9,600,618	\$ 9,490,034
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	12,382,651	13,570,851
(Increase)/Decrease in Accounts Receivable	900,463	(1,219,715)
(Increase)/Decrease in Other Accounts Receivable	73,505	83,555
(Increase)/Decrease in Inventory	2,721	(153,000)
(Increase)/Decrease in Prepaid Items	(10,916)	(16,262)
(Increase)/Decrease in Deferred Outflows - Net Pension Liability	(4,448,773)	(2,198,511)
Increase/(Decrease) in Accounts Payable	(1,417,114)	1,126,611
Increase/(Decrease) in Escrow Deposits Payable	(32,946)	50,534
Increase/(Decrease) in Accrued Expenses	(254,447)	(20,541)
Increase/(Decrease) in Accrued Compensated Absences	(367,464)	(349,281)
Increase/(Decrease) in Other Liabilities	84,579	(104,738)
Increase/(Decrease) in Claims Payable	(93,015)	(122,004)
Increase/(Decrease) in Accrued Liability for Insurance Claims	720,387	232,601
Increase/(Decrease) in Other Post-Employment Benefits	2,406,676	1,979,413
Increase/(Decrease) in Net Pension Liability	7,094,151	447,689
Increase/(Decrease) in Deferred Inflows - Net Pension Liability	(1,292,572)	2,213,591
	<u>15,747,886</u>	<u>15,520,793</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>\$ 25,348,504</u>	<u>\$ 25,010,827</u>
Noncash Investing, Capital and Financing Activities:		
Purchase of Capital Assets on Account	\$ 6,063,433	\$ 8,880,562
Original Issue Premium	(649,221)	(990,118)
Deferred Amount on Refunding of Debt	325,722	719,330
Deferred Gain on Refunding of Debt	(19,365)	-
Principal Paid on Loans from Funds Held by Fiscal Agent	-	755,119
Interest Paid on Loans from Funds Held by Fiscal Agent	-	12,315
Payment to Escrow Account from Funds Held by Fiscal Agent	-	124,557
Issuance of Long-Term Debt - NJEIT Loan	7,952,494	

NOTES TO FINANCIAL STATEMENTS

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards

During fiscal years 2015 and 2014, the Authority adopted the following GASB statements:

- GASB No. 68, *Accounting and Financial Reporting for Pensions*. 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.
- GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

- GASB No. 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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 of resources, liabilities, deferred inflows of resources, 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.

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, 2014 balances to conform to the December 31, 2015 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 BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, all deferred outflows of resources and all liabilities, deferred inflows of resources 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).

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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

The 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, deferred outflows 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.

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

1. Cash, Cash Equivalents 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. *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.

6. *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>
Machinery and Equipment	5-15 Years
Vehicles	5 Years
Site Improvements	40 Years
Utility Plant and Improvements	40 Years

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the Statement of Net Position. A deferred charge on refunding of debt results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the effective interest method. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the authority-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

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 Authority has two types of item that qualify for reporting in this category. The first 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. The other item is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

8. 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.

9. 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. 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.

11. 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.

12. Use of Estimates

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

13. 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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. 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.

3. 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, 2015 and 2014 the Board designated \$1,077,871 and \$1,368,230 of the unrestricted Solid Waste Management Fund net position to balance the 2016 and 2015 Authority budget, respectively.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 AND 2014**

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 CASH DEPOSITS AND INVESTMENTS

Cash Deposits - The Authority's cash 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, 2015 and 2014 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, 2015 and 2014, the book value of the Authority's deposits was \$62,423,707 and \$47,561,286 and bank balances of the Authority's cash and deposits amounted to \$63,749,205 and \$51,966,041, 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>2015</u>	<u>2014</u>
Insured	\$ 63,749,205	\$ 51,529,735
Uninsured and Collateralized	-	436,306
	\$ 63,749,205	\$ 51,966,041

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. The Authority's December 31, 2015 bank balance was not exposed to custodial risk. As of December 31, 2014, the Authority's bank balance of \$436,306 was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority's name	\$ -	\$ 436,306

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 4 CASH 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.

Investments permitted under the Authority’s Bond Resolution include deposits or certificates of deposit with public depositories under the provisions of the Governmental Unit Deposit Protection Act, bonds or other obligations of the United States of America or obligations guaranteed by the United States of America., bond of any federal intermediate credit bank, federal home loan bank, federal land bank, federal national mortgage association, United States Bank for Cooperatives, export-import bank, Tennessee Valley Authority, government national mortgage association, farmer’s home administration, federal financing bank, student loan marketing association, U.S. Postage Service and Resolution Funding Corporation, bonds or other obligations of the Authority or other obligations of school districts of which the district of the Authority is a part, in either case having a credit rating of at least “A” by Standard & Poor’s Corporation and/or Moody’s Investors Service, bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investments of the Department of Treasury, the New Jersey Cash Management Fund, negotiable or non-negotiable certificates of deposit issued by any bank, savings and loan association, trust company or national banking association, full faith and credit obligation of any state, which is rated in either of the two highest rating categories, any obligations which are expressly authorized as permissible investments for municipal utilities authorities under the laws of the State of New Jersey.

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, 2015 and 2014, the Authority had the following investments:

	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
<u>Investment:</u>		
U.S. Government Securities - Money Market Funds	\$ 2,964,936	\$ 9,954,961
Cash and Cash Equivalents	\$ 2,964,936	\$ 9,954,961

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, 2015 and 2014 \$2,964,936 and \$9,954,961 of the Authority’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority name	\$ 2,964,936	\$ 9,954,961

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 4 CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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 Securities.

The fair value of the above-listed investments were based on market prices and values provided by the respective financial institution.

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 deposits 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 deposits 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 deposits and investments reserved for major repairs, renewals, replacements and non-routine maintenance items are segregated in "Renewal and Replacement Fund" accounts.
- The "General Fund" is used to account for the accumulation of resources resulting from excess monies which are not required to be maintained in any of the above funds.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 6 USER CHARGES AND OTHER ACCOUNTS RECEIVABLES

Management has determined that the year end receivables are collectible, thus, an allowance for doubtful accounts is not required. User charges and other accounts receivable at December 31, 2015 and 2014, consisted of the following:

	Water Pollution Control	Solid Waste Management	Total
<u>December 31, 2015</u>			
Gross User Charges Receivable	\$ 324,580	\$ 1,160,537	\$ 1,485,117
Other Accounts Receivable	<u>74,704</u>	<u>6</u>	<u>74,710</u>
Accounts Receivable	<u>\$ 399,284</u>	<u>\$ 1,160,543</u>	<u>\$ 1,559,827</u>
<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>
Accounts Receivable	<u>\$ 1,341,687</u>	<u>\$ 1,192,783</u>	<u>\$ 2,534,470</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 are as follows:

	Balance, January 1, <u>2015</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2015</u>
Land and Site Improvements	\$ 5,728,514			\$ 5,728,514
Utility Plant and Infrastructure	369,347,489		\$ 689,272	370,036,761
Vehicles, Machinery and Equipment	147,037,580	\$ 196,874	133,229	147,367,683
Construction in Progress	<u>29,898,221</u>	<u>753,334</u>	<u>(877,498)</u>	<u>29,774,057</u>
	552,011,804	950,208	(54,997)	552,907,015
Less Accumulated Depreciation	<u>(300,365,435)</u>	<u>(12,382,651)</u>	<u>54,997</u>	<u>(312,693,089)</u>
Capital Assets, Net	<u>\$ 251,646,369</u>	<u>\$ (11,432,443)</u>	<u>\$ -</u>	<u>\$ 240,213,926</u>
	Balance, January 1, <u>2014</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2014</u>
Land and Site 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>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 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.

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 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.

Revenue Bonds outstanding at December 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Water Pollution Control Revenue Bonds, Series 2006A, 4.10%, due December 15, 2013 to 2031		\$ 440,000
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	12,895,000	17,985,000
Water Pollution Control System Acquisition Revenue Bonds, Series 2007, 4.25% to 5.00%, due December 15, 2013 to 2027	13,415,000	14,225,000
Water Pollution Control BCIA Revenue Bonds, Series 2008, 4.00% to 5.00%, due December 15, 2013 to 2029	28,000,000	28,390,000
Water Pollution Control Revenue Bonds, Series 2011A, Serial Bonds, 4.00%, due December 15, 2013 to 2016	1,695,000	3,365,000
Water Pollution Control BCIA Revenue Bonds, Series 2014, 5.00%, due December 15, 2015 to 2026	5,950,000	5,950,000
Water Pollution Control BCIA Refunding Bonds, Series 2014, 3.00% to 5.00%, due December 15, 2015 to 2026	3,650,000	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>22,715,000</u>
Total Revenue Bonds Payable	<u>\$ 120,175,000</u>	<u>\$ 129,100,000</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>	<u>2014</u>
New Jersey Environmental Infrastructure Trust		
Trust Loan, Series 2005	\$ 1,714,345	\$ 1,854,247
Fund Loan, Series 2005	3,796,698	4,412,900
Trust Loan, Series 2006	13,939,462	14,999,462
Fund Loan, Series 2006	34,196,616	37,430,041
Trust Loan, Series 2007	265,000	320,000
Fund Loan, Series 2007	715,119	777,958
Trust Loan, Series 2008	4,825,000	5,120,000
Fund Loan, Series 2008	10,995,525	12,041,476
Trust Loan, Series 2010	1,075,000	1,130,000
Fund Loan, Series 2010	974,909	1,044,545
Trust Loan, Series 2012	270,000	280,000
Fund Loan, Series 2012	740,028	789,549
Temporary Loan, 2015	<u>7,952,494</u>	<u>-</u>
Total Loans Payable	<u>\$ 81,460,196</u>	<u>\$ 80,200,178</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 \$2,941,711 and \$3,309,175 as of December 31, 2015 and 2014, respectively. Of this amount \$294,171 and \$330,917 is accrued as a current liability and the balances of \$2,647,540 and \$2,978,258 are reported as a long-term liability as of December 31, 2015 and 2014, respectively.

THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 LONG-TERM LIABILITIES (Continued)

D. Changes in Long-Term Liabilities

The Authority's long-term liability activity for the years ended December 31, 2015 and 2014 was as follows:

	Balance, January 1, 2015	Additions	Reductions	Balance, December 31, 2015	Due Within One Year
Revenue Bonds					
Serial Bonds	\$ 129,100,000	-	\$ 8,925,000	\$ 120,175,000	\$ 9,320,000
Add: Unamortized Premium-Bonds	4,310,551	-	594,222	3,716,329	-
Total Revenue Bonds - Net	133,410,551	-	9,519,222	123,891,329	9,320,000
Loans Payable					
NJ EIT Loan Payable	80,200,178	-	6,692,475	73,507,703	6,650,490
Add: Unamortized Premium	416,841	-	54,999	361,842	-
Total Loans Payable - Net	80,617,019	-	6,747,474	73,869,545	6,650,490
Accrued Compensated Absences	3,309,175	-	367,464	2,941,711	294,171
Net Pension Liability - PERS	37,144,181	\$ 8,729,656	1,635,505	44,238,332	-
Other Post-Retirement Benefits	12,083,300	2,406,676	-	14,489,976	-
Total Long-Term Liabilities, Net	\$ 266,564,226	\$ 11,136,332	\$ 18,269,665	\$ 259,430,893	\$ 16,264,661
	Balance, January 1, 2014 Restated	Additions	Reductions	Balance, December 31, 2014	Due Within One Year
Revenue Bonds					
Serial Bonds	\$ 132,935,000	\$ 32,840,000	\$ 36,675,000	\$ 129,100,000	\$ 8,925,000
Add: Unamortized Premium-Bonds	1,513,007	3,729,710	932,166	4,310,551	-
Total Revenue Bonds - Net	134,448,007	36,569,710	37,607,166	133,410,551	8,925,000
Loans Payable					
NJ EIT Loan Payable	87,603,676	-	7,403,498	80,200,178	6,692,475
Add: Unamortized Premium	474,793	-	57,952	416,841	-
Total Loans Payable - Net	88,078,469	-	7,461,450	80,617,019	6,692,475
Accrued Compensated Absences	3,658,456	-	349,281	3,309,175	330,917
Net Pension Liability - PERS	36,696,492	1,894,428	1,446,739	37,144,181	-
Other Post-Retirement Benefits	10,103,887	1,979,413	-	12,083,300	-
Total Long-Term Liabilities, Net	\$ 272,985,311	\$ 40,443,551	\$ 46,864,636	\$ 266,564,226	\$ 15,948,392

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 is as follows:

Year Ending December 31,	Revenue Bonds		Loans Payable		Total
	Principal	Interest	Principal	Interest	
2016	\$ 9,320,000	\$ 5,302,411	\$ 6,650,490	\$ 1,123,934	\$ 22,396,835
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	11,270,000	3,446,324	6,938,289	797,559	22,452,172
2021-2025	32,545,000	11,522,279	33,643,057	2,528,917	80,239,253
2026-2030	21,340,000	5,468,581	5,915,015	292,213	33,015,809
2031-2035	10,765,000	2,158,850	20,000	650	12,944,500
2036-2037	3,945,000	268,200	-	-	4,213,200
	<u>\$ 120,175,000</u>	<u>\$ 41,325,654</u>	<u>\$ 73,507,703</u>	<u>\$ 7,627,625</u>	<u>\$ 242,635,982</u>

NOTE 9 SHORT-TERM LIABILITIES

The Authority's short-term debt activity for the year ended December 31, 2015 was as follows:

Purpose	Balance, January 1, 2015	Issued	Retired	Balance, December 31, 2015
<u>Intergovernmental Loans</u>				
New Jersey Environmental Infrastructure Trust				
Temporary Loan	\$ -	\$ 7,952,494	\$ -	\$ 7,952,494

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 CONSTRUCTION COMMITMENTS

As of December 31, 2015 and 2014, the Authority had the following commitments with respect to unfinished capital projects:

Project	Construction Commitment		Estimated Date of Completion
	2015	2014	
Edgewater WPCF Outfall Extension		\$ 1,243,983	2015
RD I&I and SSO Elimination		414,722	2015
Maywood I&I Reduction Plan	\$ 142,294	166,390	2016
Palisades Park I&I Reduction Plan	189,322	211,719	2016
Teaneck Reduction of Rain Ind.	15,784	34,165	2016
Tenafly Reduction of Rain Ind.	321,679	321,679	2016
Lower Hackensack River Nutrient TMD	772,779	964,887	2016
I&I Work Plan Preparation - E. Rutherford	24,844	53,551	2016
Surface Water Modification Permit	20,690	144,797	2016
SSO Elimination Project Management	24,173	92,573	2016
Sludge Digester Improvements	799,917	799,917	2016
Overpeck Valley Relief Sewer		184,815	2015
Wastewater Management Plan Amendment	40,911	82,950	2016
RD I&I and SSO Elimination		25,337	2015
SCADA Upgrade		182,617	2015
Assessment of Sewage Force Mains	690,512	839,269	2016
Replacement of Feeders	43,960	532,000	2016
Land Surveying for Edgewater	69,992	163,270	2016
Expansion of Gas Fired Combined Heat and Power Cogeneration Project	2,085,429	2,083,374	2016
Biopower Expansion Project		317,447	2015
Cresskill Reduction of Rain Ind.	241	241	2016
Scum Tank #2 Concrete Pad Improvements		20,859	2015
Harrington Park Surge Protector	34,516		2016
Edgewater Force Main Preliminary Design	505,000		2016
Edgewater Sewage Pump Station	281,390	-	2016
	<u>\$ 6,063,433</u>	<u>\$ 8,880,562</u>	

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 11 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS

The Authority's bond covenants require certain restricted funds to be on deposit at year-end. The balances required to be on deposit at December 31, 2015 and 2014 in the Water Pollution Control Funds are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<u>Bond Reserve Fund</u>		
Required Balances	\$ 14,729,974	\$ 14,729,974
Cash and Investments	<u>14,919,538</u>	<u>14,781,569</u>
Excess Funds	<u>\$ 189,564</u>	<u>\$ 51,595</u>
<u>Bond Service Fund</u>		
Required Balances	\$ 3,032,760	\$ 3,000,292
Cash and Investments	<u>4,345,974</u>	<u>1,425,797</u>
Excess Funds/(Deficiency)	<u>\$ 1,313,214</u>	<u>\$ (1,574,495)</u>
<u>Renewal and Replacement Fund</u>		
Required Balances	\$ 1,000,000	\$ 1,000,000
Cash and Investments	<u>1,000,021</u>	<u>1,000,424</u>
Excess Funds	<u>\$ 21</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, 2015 and 2014, the net amounts available for the Operating Reserve were \$-0- and \$1,189,116, respectively. These amounts are less than the one month annual budgeted operating expenses permitted to be reserved under the provisions of the Bond Resolution.

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

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, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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 (i.e., the Authority) 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, fund, and trust. The financial reports 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 and refunds are recognized when due and payable in accordance with the terms of the retirement system.

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj.us/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively.

The funded status and funding progress of the retirement system 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.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement system 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, 2013 actuarial valuation, the date of the most recent actuarial valuations, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for pension trust funds. The actuarial assumptions included: (a) an investment rate of return for the retirement system of 7.90 percent and (b) projected salary increases of 2.15-5.40 percent based on age 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 6.92 percent for 2015 for PERS of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2015 for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made by the Authority.

During the years ended December 31, 2015, 2014 and 2013, the Authority was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums. The following amounts represent the actual contributions incurred by the Authority for each year:

<u>Year Ending</u> <u>December 31</u>	<u>PERS</u>
2015	\$1,694,276
2014	1,635,505
2013	1,446,739

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS

At December 31, 2015 and 2014, the Authority reported in the Statements of Net Position a liability of \$44,238,332 and \$37,144,181, respectively for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Authority's proportionate share was .197070 percent, which was a decrease of .001320 percent from its proportionate share measured as of June 30, 2014 of .198390 percent.

For the years ended December 31, 2015 and 2014, the pension system has determined the Authority's pension expense to be \$3,047,082 and \$2,098,274, respectively. At December 31, 2015, the Authority deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,055,371			
Changes of Assumptions	4,750,844		\$ 1,168,012	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 711,267		\$ 2,213,591
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>841,069</u>	<u>209,752</u>	<u>1,030,499</u>	<u>-</u>
Total	<u>\$ 6,647,284</u>	<u>\$ 921,019</u>	<u>\$ 2,198,511</u>	<u>\$ 2,213,591</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2016	\$ 1,071,692
2017	1,071,692
2018	1,071,692
2019	1,625,090
2020	<u>886,099</u>
	<u>\$ 5,726,265</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions for PERS (Continued)**

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	Based on Age	Based on Age
Thereafter	3.15-5.40%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	4.90%
2014	5.39%

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions for PERS (Continued)**

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Authority's proportionate share of the PERS net pension liability as of December 31, 2015 calculated using the discount rate of 4.90%, as well as what the Authority's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's Proportionate Share of the PERS Net Pension Liability	<u>\$ 54,982,834</u>	<u>\$ 44,238,332</u>	<u>\$ 35,230,219</u>

The sensitivity analysis was based on the proportionate share of the Authority's net pension liability at December 31, 2015. A sensitivity analysis specific to the Authority's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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. For the years 2015, 2014, and 2013 the Authority contributed \$2,267,264, \$1,713,682, and \$2,062,718, respectively to the Plan.

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	\$	3,845,495
Interest on Net OPEB Obligation		483,332
Adjustment to Annual Required Contribution		<u>345,113</u>
Annual OPEB Cost (Expense)		4,673,940
Contributions Made		<u>(2,267,264)</u>
Increase in Net OPEB Obligation		2,406,676
Net OPEB Obligation, January 1, 2015		<u>12,083,300</u>
Net OPEB Obligation, December 31, 2015	\$	<u>14,489,976</u>

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2015, 2014 and 2013 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>
2015	\$4,673,940	48.51%	\$14,489,976
2014	3,693,095	46.40%	12,083,300
2013	3,068,456	67.22%	10,103,887

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 OTHER POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$90,624,171. The Authority has no plan assets, resulting in an unfunded actuarial accrued liability (UAAL). The covered payroll (annual payroll of active employees covered by the plan) was \$13,659,984 and \$15,082,997 and the ratio of the UAAL to the covered payroll was 6.63% and 5.31%.

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, 2015, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 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, 2015 was twenty-one years.

NOTE 14 OTHER INFORMATION

A. Risk Management

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

The Authority retains risk of 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.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

Estimates of claims payable and of claims incurred, but not reported (IBNR) at December 31, 2015 and 2014, 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 \$4,756,845 and \$4,129,473 reported at December 31, 2015 and 2014, 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, 2015 and 2014 and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unpaid Claims, January 1	\$ 4,129,473	\$ 4,019,176	\$ 3,481,242
Incurred Claims	<u>8,357,913</u>	<u>5,812,326</u>	<u>6,003,078</u>
	12,487,386	9,831,502	9,484,320
Less Claim Payments	<u>(7,730,541)</u>	<u>(5,702,029)</u>	<u>(5,465,144)</u>
Unpaid Claims, December 31	<u>\$ 4,756,845</u>	<u>\$ 4,129,473</u>	<u>\$ 4,019,176</u>

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

<u>Year Ended December 31</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 23,130	\$ 23,130	\$ 4,563	\$ 367,830
2014	20,204	20,205	12,940	330,591
2013	20,101	20,102	4,018	298,628

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 OTHER INFORMATION (Continued)

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

On May 31, 2002, the New Jersey Meadowlands Commission assumed closure and post-closure responsibilities for the Kingsland Park Sanitary Landfill. 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.

On October 22, 2015, the Authority received permission from the County to transfer the balance in the Escrow account to the sole ownership and possession of the BCUA.

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.

In addition, the Authority participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of December 31, 2015 and 2014, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Authority believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position 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, 2015 and 2014, the Authority had no estimated arbitrage earnings due to the IRS.

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 OTHER INFORMATION (Continued)

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, 2015. As of December 31, 2015, the Authority has received to date \$1,063,674 of FEMA reimbursements relating to Hurricane Sandy.

NOTE 15 RESTATEMENT

On January 1, 2015, the Authority implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”. The Authority has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the year ended December 31, 2014 was to recognize the Authority’s proportionate share of the Public Employees’ Retirement System’s (PERS) net pension liability, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$37,865,256 at January 1, 2014 and \$38,794,776 at December 31, 2014.

NOTE 16 SUBSEQUENT EVENTS

Refunding Bonds

On March 17, 2016, the Authority issued \$38,115,000 of Water Pollution Control System Revenue Refunding Bonds, Series 2016 (the “Bonds”) through the Bergen County Improvement Authority to advance refund a portion of the Authority’s outstanding 2007 Edgewater Acquisition Bonds and the 2008 Revenue Bonds. The Bonds were issued at interest rates of 2.00 to 5.00%. The bonds will mature over 22 years with the first maturity due August 15, 2016.

On May 26, 2016, the New Jersey Environmental Infrastructure Trust (the “NJEIT”) issued \$56,160,000 Environmental Infrastructure Refunding Bonds, Series 2016A-R1 (2008A Financing Program) to refund certain 2008A loans to governmental entities in the State. A portion of the savings from this refunding will be used to offset the future debt service on the Authority’s 2008A NJEIT loan.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**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>
2015	-	\$ 90,624,171	\$ 90,624,171	0%	\$ 13,659,984	663.4%
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>
2015	\$ 3,845,495	58.96%
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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Three Years *

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Position Liability (Asset)	0.197070%	0.198390%	0.192007%
Authority's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 44,238,333</u>	<u>\$ 37,144,181</u>	<u>\$ 36,696,492</u>
Authority's Covered-Employee Payroll	<u>\$ 13,673,436</u>	<u>\$ 13,645,098</u>	<u>\$ 13,347,538</u>
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	323.53%	272.22%	274.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

* The amounts presented for each year were determined as of June 30 of the respective year.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Authority will only present information for those years for which information is available.

**THE BERGEN COUNTY UTILITIES AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Three Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Employer Contribution	\$ 1,694,276	\$ 1,635,505	\$ 1,446,739
Contributions in Relation to the Contractually Required Contributions	<u>1,694,276</u>	<u>1,635,505</u>	<u>1,446,739</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered- Employee Payroll	<u>\$ 13,673,436</u>	<u>\$ 13,645,098</u>	<u>\$ 13,347,538</u>
Contributions as a Percentage of Covered-Employee Payroll	12.39%	11.99%	10.84%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Authority will only present information for those years for which information is available.

**THE BERGEN COUNTY UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and
statutorily required employer contribution are presented in Note 14.

SUPPLEMENTARY SCHEDULES

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

	Water Pollution Control	Solid Waste Management	Total
ASSETS			
Unrestricted Current Assets			
Cash and Cash Equivalents	\$ 26,665,597	\$ 6,042,443	\$ 32,708,040
Accrued Interest Receivable	24,977	7,445	32,422
Accounts Receivable	324,580	1,160,537	1,485,117
Other Accounts Receivable	74,704	6	74,710
Internal Balances	(295,542)	295,542	-
Inventory	4,306,180		4,306,180
Prepaid Items	251,668	23,821	275,489
	<u>31,352,164</u>	<u>7,529,794</u>	<u>38,881,958</u>
Total Unrestricted Current Assets			
Restricted Current Assets			
Revenue Account			
Cash and Cash Equivalents	1,052,898		1,052,898
General Account			
Cash and Cash Equivalents	490,210		490,210
Bond Reserve Account			
Cash and Cash Equivalents	14,919,538		14,919,538
Accrued Interest Receivable	86,678		86,678
Bond Issuance Account			
Cash and Cash Equivalents	15,102		15,102
Bond Service Account			
Cash and Cash Equivalents	4,345,974		4,345,974
Construction Account			
Cash and Cash Equivalents	10,484,550		10,484,550
Renewal and Replacement Account			
Cash and Cash Equivalents	1,000,021		1,000,021
Accrued Interest Receivable	2,830		2,830
Unemployment Insurance Account			
Cash and Cash Equivalents	361,141	11,169	372,310
State Loans Receivable - NJEIT	508,917	-	508,917
	<u>33,267,859</u>	<u>11,169</u>	<u>33,279,028</u>
Total Restricted Current Assets			
Total Current Assets	<u>64,620,023</u>	<u>7,540,963</u>	<u>72,160,986</u>
Non-Current Assets:			
Capital Assets:			
Land and Site Improvements	5,728,514		5,728,514
Utility Plant and Infrastructure	370,036,761		370,036,761
Vehicles, Machinery and Equipment	147,367,683		147,367,683
Construction in Progress	29,774,057		29,774,057
less: Accumulated Depreciation	(312,693,089)	-	(312,693,089)
	<u>240,213,926</u>	<u>-</u>	<u>240,213,926</u>
Total Capital Assets (Net of Accumulated Depreciation)			
Total Noncurrent Assets	<u>240,213,926</u>	<u>-</u>	<u>240,213,926</u>
Total Assets	<u>304,833,949</u>	<u>7,540,963</u>	<u>312,374,912</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	1,641,914	-	1,641,914
Deferred Amounts on Net Pension Liability	6,333,532	313,752	6,647,284
	<u>7,975,446</u>	<u>313,752</u>	<u>8,289,198</u>
Total Deferred Outflow of Resources			
Total Assets and Deferred Outflow of Resources	<u>\$ 312,809,395</u>	<u>\$ 7,854,715</u>	<u>\$ 320,664,110</u>

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

	Water Pollution Control	Solid Waste Management	Total
LIABILITIES			
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable	\$ 2,692,870	\$ 1,124,568	\$ 3,817,438
Escrow Deposits Payable	17,588	-	17,588
Accrued Expenses	1,818,587	84,574	1,903,161
Compensated Absences	289,029	5,142	294,171
Unearned Revenue	-	2,008,271	2,008,271
Accrued Liability for Insurance Claims	3,875,547	119,862	3,995,409
Claims Payable	738,593	22,843	761,436
Other Liabilities	134,217	3,997	138,214
	<u>9,566,431</u>	<u>3,369,257</u>	<u>12,935,688</u>
Total Current Liabilities Payable from Unrestricted Assets			
Current Liabilities (Payable from Restricted Assets)			
Revenue Bonds Payable, Current Portion	9,320,000		9,320,000
Long Term Loans Payable, Current Portion	6,650,490		6,650,490
Temporary Loan - EIT	7,952,494		7,952,494
Accrued Interest Payable	673,615		673,615
Contracts Payable	6,063,433	-	6,063,433
	<u>30,660,032</u>	<u>-</u>	<u>30,660,032</u>
Total Current Liabilities Payable from Restricted Assets			
Non-Current Liabilities			
Revenue Bonds Payable (net of unamortized premiums)	114,571,329		114,571,329
Long Term Loans Payable	67,219,055		67,219,055
Compensated Absences	2,601,263	46,277	2,647,540
Post-Employment Benefits	14,055,277	434,699	14,489,976
Net Pension Liability	42,150,283	2,088,049	44,238,332
	<u>240,597,207</u>	<u>2,569,025</u>	<u>243,166,232</u>
Total Non-Current Liabilities			
Total Liabilities			
	<u>280,823,670</u>	<u>5,938,282</u>	<u>286,761,952</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Gains on Refunding of Debt	917,812	-	917,812
Deferred Amounts on Net Pension Liability - PERS	877,547	43,472	921,019
	<u>1,795,359</u>	<u>43,472</u>	<u>1,838,831</u>
Total Deferred Outflow of Resources			
Total Liabilities and Deferred Inflow of Resources			
	<u>282,619,029</u>	<u>5,981,754</u>	<u>288,600,783</u>
NET POSITION			
Net Investment in Capital Assets	40,154,694		40,154,694
Restricted For:			
Debt Service	3,032,760		3,032,760
Debt Reserve	14,729,974		14,729,974
Renewal and Replacement	1,000,000		1,000,000
Unemployment Insurance	356,795	11,035	367,830
Unrestricted	(29,083,857)	1,861,926	(27,221,931)
	<u>\$ 30,190,366</u>	<u>\$ 1,872,961</u>	<u>\$ 32,063,327</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, 2015

	Water Pollution Control	Solid Waste Management	Total
OPERATING REVENUES			
User Charges and Fees	\$ 70,223,071	\$ 6,513,049	\$ 76,736,120
Miscellaneous	<u>3,124,865</u>	<u>58,145</u>	<u>3,183,010</u>
Total Operating Revenues	<u>73,347,936</u>	<u>6,571,194</u>	<u>79,919,130</u>
OPERATING EXPENSES			
Cost of Operations	41,329,119	7,994,500	49,323,619
Allocated Administration	5,477,904	175,271	5,653,175
Insurance Claims	535,819	16,572	552,391
Other Post-Employment Benefits- ARC	2,334,476	72,200	2,406,676
Depreciation	<u>12,382,651</u>	<u>-</u>	<u>12,382,651</u>
Total Operating Expenses	<u>62,059,969</u>	<u>8,258,543</u>	<u>70,318,512</u>
OPERATING INCOME (LOSS)	<u>11,287,967</u>	<u>(1,687,349)</u>	<u>9,600,618</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	403,676	37,822	441,498
Interest Expense	(6,300,901)		(6,300,901)
Bad Debt Expense	(271)	(404)	(675)
Hurricane Sandy Expenses	(257,543)		(257,543)
Hurricane Sandy Reimbursements	445,626		445,626
Intergovernmental Grants	<u>-</u>	<u>704,042</u>	<u>704,042</u>
Total Non-Operating Income (Expenses)	<u>(5,709,413)</u>	<u>741,460</u>	<u>(4,967,953)</u>
CHANGE IN NET POSITION	5,578,554	(945,889)	4,632,665
Total Net Position, January 1, 2015	<u>24,611,812</u>	<u>2,818,850</u>	<u>27,430,662</u>
Total Net Position, December 31, 2015	<u>\$ 30,190,366</u>	<u>\$ 1,872,961</u>	<u>\$ 32,063,327</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Water Pollution Control	Solid Waste Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 74,290,068	\$ 6,603,030	\$ 80,893,098
Cash Paid to Suppliers	(21,687,109)	(7,219,780)	(28,906,889)
Cash Paid for Salaries and Benefits	(25,808,917)	(828,788)	(26,637,705)
Net Cash Provided by (Used for) Operating Activities	<u>26,794,042</u>	<u>(1,445,538)</u>	<u>25,348,504</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Transactions	163,102	(163,102)	-
Natural Disaster - Hurricane Sandy Expenses	(257,543)		(257,543)
Natural Disaster - Hurricane Sandy Reimbursements	445,626		445,626
Proceeds from Intergovernmental Grants	-	564,300	564,300
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>351,185</u>	<u>401,198</u>	<u>752,383</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
NJ EIT Temporary Loan Proceeds	7,443,577		7,443,577
Principal Payment - Revenue Bonds	(8,925,000)		(8,925,000)
Principal Payment - Loans	(6,657,475)		(6,657,475)
Acquisition of Capital Assets	(3,767,337)		(3,767,337)
Interest Paid - Bonds, Notes and Loans	(6,693,885)	-	(6,693,885)
Net Cash (Used for) Capital and Related Financing Activities	<u>(18,600,120)</u>	<u>-</u>	<u>(18,600,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received	341,252	30,377	371,629
Net Cash Provided by Investing Activities	<u>341,252</u>	<u>30,377</u>	<u>371,629</u>
Net Change in Cash and Cash Equivalents	8,886,359	(1,013,963)	7,872,396
Cash and Cash Equivalents, January 1, 2015	<u>50,448,672</u>	<u>7,067,575</u>	<u>57,516,247</u>
Cash and Cash Equivalents, December 31, 2015	<u>\$ 59,335,031</u>	<u>\$ 6,053,612</u>	<u>\$ 65,388,643</u>
Analysis of Balance at December 31, 2015			
Cash and Equivalents			
Unrestricted	\$ 26,665,597	\$ 6,042,443	\$ 32,708,040
Restricted	<u>32,669,434</u>	<u>11,169</u>	<u>32,680,603</u>
	<u>\$ 59,335,031</u>	<u>\$ 6,053,612</u>	<u>\$ 65,388,643</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Water Pollution Control	Solid Waste Management	Total
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 11,287,967	\$ (1,687,349)	\$ 9,600,618
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Depreciation	12,382,651		12,382,651
(Increase)/Decrease in Accounts Receivable	868,627	31,836	900,463
(Increase)/Decrease in Other Accounts Receivable	73,505	-	73,505
(Increase)/Decrease in Inventory	2,721	-	2,721
(Increase)/Decrease in Prepaid Items	(13,504)	2,588	(10,916)
(Increase)/Decrease in Deferred Outflows - Net Pension Liability	(4,238,791)	(209,982)	(4,448,773)
Increase/(Decrease) in Accounts Payable	(1,480,171)	63,057	(1,417,114)
Increase/(Decrease) in Escrow Deposits Payable	(32,946)		(32,946)
Increase/(Decrease) in Accrued Expenses	(245,783)	(8,664)	(254,447)
Increase/(Decrease) in Compensated Absences	(363,021)	(4,443)	(367,464)
Increase/(Decrease) in Other Liabilities	82,015	2,564	84,579
Increase/(Decrease) in Claims Payable	(90,224)	(2,791)	(93,015)
Increase/(Decrease) in Accrued Liability for Insurance Claim	698,776	21,611	720,387
Increase/(Decrease) in Other Post-Employment Benefits	2,334,476	72,200	2,406,676
Increase/(Decrease) in Net Pension Liability	6,759,307	334,844	7,094,151
Increase/(Decrease) in Deferred Inflows - Net Pension Liability	(1,231,563)	(61,009)	(1,292,572)
Total Adjustments	15,506,075	241,811	15,747,886
Net Cash Provided by (Used for) Operating Activities	\$ 26,794,042	\$ (1,445,538)	\$ 25,348,504
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	\$ 6,063,433		\$ 6,063,433
Original Issue Premium	(649,221)		(649,221)
Deferred Amount on Refunding of Debt	325,722		325,722
Deferred Gain on Refunding of Debt	(19,365)		(19,365)
Issuance of Long-Term Debt - NJEIT Loan	7,952,494		7,952,494

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2015
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015 <u>Budget</u>	2015 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2014 <u>Actual</u>
OPERATING REVENUES				
Service Agreements	\$ 68,803,028	\$ 67,684,777	\$ (1,118,251)	\$ 68,119,614
Sewer Connection Fees	895,000	2,538,294	1,643,294	2,168,743
Miscellaneous				
Edgewater Debt Service Contribution	1,465,000	1,469,217	4,217	1,469,217
Sale of Treated Effluent	1,000,000	1,005,638	5,638	1,089,148
IPP Permits	285,000	241,150	(43,850)	263,570
Other	200,000	408,860	208,860	255,057
	<u>72,648,028</u>	<u>73,347,936</u>	<u>699,908</u>	<u>73,365,349</u>
NON-OPERATING REVENUES				
Interest on Investments	280,000	380,667	100,667	338,960
Hurricane Sandy FEMA Reimbursements	-	445,626	445,626	-
	<u>280,000</u>	<u>826,293</u>	<u>546,293</u>	<u>338,960</u>
Total Non-Operating Revenues	<u>280,000</u>	<u>826,293</u>	<u>546,293</u>	<u>338,960</u>
Total Water Pollution Revenues	<u>72,928,028</u>	<u>74,174,229</u>	<u>1,246,201</u>	<u>73,704,309</u>
OPERATING APPROPRIATIONS				
Operations & Maintenance				
Salaries and Wages	8,230,711	7,767,510	463,201	7,918,087
Engineering				
Salaries and Wages	1,049,574	931,328	118,246	964,831
Other Expenses	2,395,000	2,099,984	295,016	2,047,016
Collection				
Salaries and Wages	2,144,759	1,916,346	228,413	2,060,734
Other Expenses	770,000	597,470	172,530	740,700
Compliance				
Salaries and Wages	1,408,250	1,218,054	190,196	1,381,445
Other Expenses	250,000	299,900	(49,900)	203,126
Facilities Cost				
Telephone	2,000	337	1,663	3,262
Water	400,000	423,514	(23,514)	376,701
Electric	2,750,000	3,124,847	(374,847)	2,218,647
Gas	1,250,000	704,358	545,642	648,986
Fuel Oil	225,000	124,416	100,584	175,045

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2015
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015 <u>Budget</u>	2015 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2014 <u>Actual</u>
Direct Processing				
Other Expenses	\$ 1,695,000	\$ 1,467,163	\$ 227,837	\$ 1,616,280
Waste Disposal				
Other Expenses	6,402,000	6,075,228	326,772	6,401,497
Contract Maintenance				
Other Expenses	300,000	108,850	191,150	164,889
Replacement Parts				
Other Expenses	2,330,000	1,927,255	402,745	2,343,687
Supplies				
Other Expenses	780,000	582,392	197,608	802,005
Safety Programs				
Other Expenses	180,000	183,498	(3,498)	186,190
Insurance				
Multi-Peril	860,000	848,395	11,605	772,316
Employee Benefits				
Public Employees Retirement System	1,251,174	1,304,597	(53,423)	1,136,222
Social Security	981,747	926,205	55,542	939,525
Unemployment Insurance	200,000	119,158	80,842	140,966
Workers Compensation	500,000	449,593	50,407	666,176
Prescription/Vision Insurance	1,312,037	1,944,977	(632,940)	1,511,308
Health Insurance	4,777,638	4,328,827	448,811	4,692,938
Dental Insurance	320,509	283,685	36,824	316,049
Compensated Absences				
Salaries and Wages	<u>120,000</u>	<u>29,698</u>	<u>90,302</u>	<u>29,774</u>
Total Operating Appropriations	42,885,399	39,787,585	3,097,814	40,458,402
Capital Outlay				
Miscellaneous	<u>300,000</u>	<u>141,878</u>	<u>158,122</u>	<u>28,060</u>
Total Appropriations	<u>43,185,399</u>	<u>39,929,463</u>	<u>3,255,936</u>	<u>40,486,462</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WATER POLLUTION CONTROL DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2015
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015 <u>Budget</u>	2015 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2014 <u>Actual</u>
NON-OPERATING APPROPRIATIONS				
Bond and Loan Principal	\$ 15,947,475	\$ 15,582,475	\$ 365,000	\$ 15,233,379
Bond and Loan Interest	7,103,462	6,693,885	409,577	7,294,316
Bad Debt Expense		271	(271)	
Natural Disaster - Hurricane Sandy Expenses		257,543	(257,543)	363,823
Trustee Fees	280,000	234,316	45,684	331,102
	<u>23,330,937</u>	<u>22,768,490</u>	<u>562,447</u>	<u>23,222,620</u>
Total Non-Operating Appropriations				
Allocated Appropriations				
Inter-Depart. Costs				
Salaries and Wages	2,686,206	2,484,847	201,359	2,460,276
Fringe Benefits	2,333,633	1,741,071	592,562	1,872,674
Other Expenses	1,391,853	1,251,986	139,867	1,075,382
	<u>6,411,692</u>	<u>5,477,904</u>	<u>933,788</u>	<u>5,408,332</u>
Total Allocated Appropriations				
Total Appropriations				
	<u>72,928,028</u>	<u>68,175,857</u>	<u>4,752,171</u>	<u>69,117,414</u>
Budgetary Income (Loss)				
	<u>\$ -</u>	<u>5,998,372</u>	<u>\$ 5,998,372</u>	<u>4,586,895</u>
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Depreciation Expense		(12,382,651)		(13,570,851)
Budgetary Capital Outlay - Capitalized		141,878		28,060
Change in Inventory		(2,721)		153,000
Principal Paid on Long-Term Debt		15,582,475		15,233,379
Interest Paid on Loans from Funds Held by Fiscal Agent		-		(12,315)
Interest Earnings - NJEIT		22,203		17
Payment of Costs of Issuance		-		(634,211)
Change in Accrued Interest Payable, net		50,120		62,356
Change in Deferred Outflows - Net Pension Liability		4,238,791		2,094,741
Change in Accrued Expenses - Pension Obligation		(55,997)		(179,856)
Change in Net Pension Liability		(6,759,307)		(426,558)
Change in Deferred Inflows - Net Pension Liability		1,231,563		(2,109,110)
Amortization of Bonds, Loans Premium, Discount and Deferred Amounts on Refunding of Debt		342,864		270,788
Change in Net Position				
Other Post-Employment Benefits		(2,334,476)		(1,920,031)
Self Insurance		(535,027)		(186,938)
Unemployment Insurance		40,467		26,659
Payroll Agency		-		300
		<u>-</u>		<u>300</u>
Change in Net Position - GAAP Basis				
		<u>\$ 5,578,554</u>		<u>\$ 3,416,325</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2015
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015 Budget	2015 Actual	Variance Excess (Deficit)	2014 Actual
OPERATING REVENUES				
Cooperative Marketing/Recycling Program	\$ 5,763,692	\$ 6,463,272	\$ 699,580	\$ 5,919,514
Program Admin. Fees	46,600	49,777	3,177	45,586
Miscellaneous	25,000	58,145	33,145	32,027
Total Operating Revenues	<u>5,835,292</u>	<u>6,571,194</u>	<u>735,902</u>	<u>5,997,127</u>
NON-OPERATING REVENUES				
Recycling & Solid Waste Grants	710,450	704,042	(6,408)	257,280
Interest on Investments	15,000	20,333	5,333	16,523
Retained Earnings Anticipated	1,368,230	1,368,230	-	1,380,751
Total Non-Operating Revenues	<u>2,093,680</u>	<u>2,092,605</u>	<u>(1,075)</u>	<u>1,654,554</u>
Total Solid Waste Revenues	<u>7,928,972</u>	<u>8,663,799</u>	<u>734,827</u>	<u>7,651,681</u>
OPERATING APPROPRIATIONS				
Planning and Administration				
Salaries and Wages	80,051	-	80,051	76,147
Other Expenses	89,500	50,108	39,392	75,284
Cooperative Marketing	5,763,692	6,456,026	(692,334)	5,912,348
Recycling				
Salaries and Wages	472,277	341,509	130,768	473,044
Other Expenses	15,000	12,028	2,972	462
Grant Entitlements	710,450	704,042	6,408	257,280
Insurance				
Other Expenses	95,000	19,126	75,874	85,738
Employee Benefits				
Public Employees Retirement System	107,243	72,478	34,765	97,390
Social Security	40,711	29,936	10,775	35,331
Unemployment Insurance	12,000	4,645	7,355	6,233
Workers Compensation	85,000	12,420	72,580	20,661
Health Insurance	157,340	139,004	18,336	148,336
Prescription/Vision Insurance	72,427	88,471	(16,044)	93,135
Compensated Absences	10,000	1,534	8,466	(1,971)
Dental Insurance	19,980	7,959	12,021	13,776
Total Operating Appropriations	<u>7,730,671</u>	<u>7,939,286</u>	<u>(208,615)</u>	<u>7,293,194</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE MANAGEMENT DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2015
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015 <u>Budget</u>	2015 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2014 <u>Actual</u>
Allocated Appropriations				
Inter-Department Costs				
Salaries and Wages	\$ 83,080	\$ 76,851	\$ 6,229	\$ 76,091
Fringe Benefits	72,174	49,538	22,636	57,918
Other Expenses	<u>43,047</u>	<u>38,719</u>	<u>4,328</u>	<u>33,259</u>
Total Allocated Appropriations	<u>198,301</u>	<u>165,108</u>	<u>33,193</u>	<u>167,268</u>
Total Appropriations	<u>7,928,972</u>	<u>8,104,394</u>	<u>(175,422)</u>	<u>7,460,462</u>
Budgetary Income (Loss)	<u>\$ -</u>	559,405	<u>\$ 559,405</u>	191,219
RECONCILIATION TO GAAP BASIS:				
Adjustments				
Bad Debt Expense		(404)		
Change in Deferred Outflows - Net Pension Liability		209,982		103,770
Change in Accrued Expenses - Pension Obligation		(2,774)		(8,910)
Change in Net Pension Liability		(334,844)		(21,131)
Change in Deferred Inflows - Net Pension Liability		61,009		(104,481)
Change in Net Position				
Other Post-Employment Benefits		(72,200)		(59,382)
Self Insurance		(16,548)		(5,782)
Unemployment Insurance		1,252		824
Payroll Agency		-		(300)
Solid Waste Escrow		17,463		15,948
Retained Earnings Anticipated		<u>(1,368,230)</u>		<u>(1,380,751)</u>
Change in Net Position, GAAP Basis		<u>\$ (945,889)</u>		<u>\$ (1,268,976)</u>

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities of Bonds Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance January 1, 2015</u>	<u>Decrease</u>	<u>Balance December 31, 2015</u>
2006 Revenue Bonds	2006	\$ 25,985,000				\$ 440,000	\$ 440,000	
2007 BCIA Refunding, Series A			12/15/2018	\$ 7,500,000	4.000 %			
		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	31,855,000	-	\$ 31,855,000
2007 BCIA Refunding, Series B			12/15/2016	5,390,000	5.000 %			
		33,955,000	12/15/2017	7,505,000	5.000	17,985,000	5,090,000	12,895,000
Edgewater Acquisition Bonds			12/15/2016	855,000	5.000 %			
		18,420,000	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	14,225,000	810,000	13,415,000	

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2015

Description	Date Issued	Amount	Maturities of Bonds Date	Amount	Interest Rate	Balance January 1, 2015	Decrease	Balance December 31, 2015
2008 Revenue Bonds	2008	\$ 29,600,000	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			
						\$ 28,390,000	\$ 390,000	\$ 28,000,000
2011 Refunding Bonds	2011	\$ 7,710,000	12/15/2016	1,695,000	4.000	3,365,000	1,670,000	1,695,000
2014 Refunding Bonds	2014	5,950,000	12/15/2022	1,075,000	5.000			
			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	5,950,000	-	5,950,000
2014 Refunding Bonds	2014	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	4,175,000	525,000	3,650,000

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2015

Description	Date Issued	Amount	Maturities of Bonds Date	Amount	Interest Rate	Balance January 1, 2015	Decrease	Balance December 31, 2015
2014 Revenue Bonds	2014	\$ 22,715,000	12/15/2016	\$ 430,000	3.000			
			12/15/2017	440,000	5.000			
			12/15/2018	465,000	5.000			
			12/15/2019	485,000	5.000			
			12/15/2020	510,000	5.000			
			12/15/2021	535,000	5.000			
			12/15/2022	1,615,000	5.000			
			12/15/2023	1,690,000	5.000			
			12/15/2024	1,780,000	5.000			
			12/15/2025	1,870,000	5.000			
			12/15/2026	1,965,000	5.000			
			12/15/2027	2,055,000	3.000			
			12/15/2028	2,120,000	3.000			
			12/15/2029	2,185,000	3.000			
			12/15/2030	2,250,000	3.125			
			12/15/2031	2,320,000	3.125	\$ 22,715,000	-	\$ 22,715,000
						\$ 129,100,000	\$ 8,925,000	\$ 120,175,000
								(9,320,000)
								3,716,329
								\$ 114,571,329

Current Portion of Bonds Payable
Unamortized Bond Premium

Total Long-Term Portion of Bonds Payable (Net of Deferred Charges)

THE BERGEN COUNTY UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2015

Authority Board Members

	<u>Position</u>
Ronald Phillips	Commissioner –Chairman
Louis J. DeLisio	Commissioner – Vice Chairman
Cathy Bentz	Commissioner
James L. Cassella	Commissioner
Paul A. Juliano	Commissioner
Thomas S. Kelley	Commissioner
Jon Warms	Commissioner
George P. Zilocchi	Commissioner

Authority Executive Staff

Robert E. Laux	Executive Director
Richard Wierer	Deputy Executive Director
	Director of Solid Waste and Information Technology
Matthew McCarter	Acting Board Secretary
Dominic DiSalvo	Acting Treasurer
	Chief Engineer/Director of Water Pollution Control

Consultants and Advisors

Paul Kaufman, Esq.	General Counsel
--------------------	-----------------

**GOVERNMENT AUDITING STANDARDS AND
SINGLE AUDIT SECTIONS
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
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLSI, CPA
ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of The Bergen County Utilities Authority, as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise The Bergen County Utilities Authority's basic financial statements, as listed in the table of contents, and have issued our report thereon dated June 13, 2016.

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 a certain matter that is 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 13, 2016



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
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited The Bergen County Utilities Authority's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of The Bergen County Utilities Authority's major state programs for the year ended December 31, 2015. The Bergen County Utilities Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with state statutes, regulations, and terms and conditions of its state financial assistance applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Bergen County Utilities Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about The Bergen County Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of The Bergen County Utilities Authority's compliance.

Opinion on Each Major State Program

In our opinion, The Bergen County Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of The Bergen County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Bergen County Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Bergen County Utilities Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance
Required by New Jersey OMB Circular 15-08***

We have audited the financial statements of The Bergen County Utilities Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise The Bergen County Utilities Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 13, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and expenditures of state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
June 13, 2016

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grant Program	Grant Period	CFDA	State Grant Number	Grant Award Amount	Cash Received	Balance, January 1, 2015	Revenue Realized	Expended	Balance, December 31, 2015	Cumulative Expenditures
United States Department of Homeland Security										
Disaster Grants - Public Assistance	2012	97.036	66-1200-100-A92-14	4,291,745	445,626	-	445,626	445,626	-	4,291,745
					\$ -	\$ -	\$ 445,626	\$ 445,626	\$ -	\$ 4,291,745

Note: This schedule was not subject to an audit in accordance with U.S. Uniform Guidance

THE BERGEN COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2015

State Grant Program	Grant Number	Grant Period	Grant Award Amount	Cash Received	Balance, January 1, 2015	Revenue Realized	Expended	Balance, December 31, 2015	Cumulative Expenditures
New Jersey Department of Environmental Protection									
Solid Waste Administration	SWST-10	1/1/12-12/31/14	910,000		\$ 436,722	\$ 436,722	\$ -	\$ -	\$ 910,000
Solid Waste Administration	SWST-11	1/1/13-12/31/15	551,100		534,292	267,320	266,972	284,128	284,128
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		-
Solid Waste Administration	SWST-14	1/1/16-12/31/18	564,300	\$ 564,300			564,300		-
Environmental Infrastructure Trust Loan Program: New Jersey Environmental Infrastructure Trust - Temporary Financing	S340386-17		7,952,494	7,443,577		7,952,494	7,443,577	508,917	7,443,577
					\$ 2,148,014	\$ 8,516,794	\$ 8,147,619	\$ 2,517,189	

**THE BERGEN COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 GENERAL

The accompanying schedules present 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 schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

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

	<u>Federal</u>	<u>State</u>	<u>Total Assistance</u>
Solid Waste Management Enterprise Fund		\$ 564,300	\$ 564,300
Water Pollution Control Enterprise Fund	\$ 445,626	7,952,494	8,398,120
	<u>\$ 445,626</u>	<u>\$ 8,516,794</u>	<u>\$ 8,962,420</u>

NOTE 4 STATE LOANS OUTSTANDING

The Authority's State loans outstanding at December 31, 2015 are as follows:

New Jersey Environmental Infrastructure Trust	
Trust Loan, Series 2005	\$ 1,714,345
Fund Loan, Series 2005	3,796,698
Trust Loan, Series 2006	13,939,462
Fund Loan, Series 2006	34,196,616
Trust Loan, Series 2007	265,000
Fund Loan, Series 2007	715,119
Trust Loan, Series 2008	4,825,000
Fund Loan, Series 2008	10,995,525
Trust Loan, Series 2010	1,075,000
Fund Loan, Series 2010	974,909
Trust Loan, Series 2012	270,000
Fund Loan, Series 2012	740,028
Temporary Loan, 2015	<u>7,952,494</u>
Total Loans Payable	<u>\$ 81,460,196</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part II – Schedule of Financial Statement Findings

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

THERE ARE NONE.

**THE BERGEN COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

**THE BERGEN COUNTY UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS AND RECOMMENDATIONS

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.

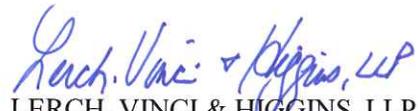
Recommendation – Internal controls over the valuation of the Authority’s inventory be enhanced.

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.

* * * * *

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