

**THE BERGEN COUNTY UTILITIES AUTHORITY**

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

**REPORT OF AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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## 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, 2018 and 2017, 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, 2018 and 2017, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, postemployment health benefit plan 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.

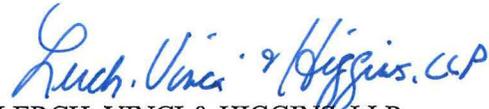
### *Other Information*

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 July 18, 2019 on our consideration of The Bergen County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Bergen County Utilities Authority's 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

July 18, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# ***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, 2018. Please read it in conjunction with the Authority's financial statements and accompanying notes. The Management Discussion and Analysis (the MD&A) is an element of Required Supplementary Information specified by the Governmental Accounting Standards Board. Certain comparative information between the current year (2018) and the previous two years (2017 and 2016) 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 \$10,004,737.
- Cash and Investments increased \$14,055,653.
- Operating Revenues were \$85,412,628, an increase of \$2,118,563 from 2017.
- Operating Expenses were \$74,104,435, a decrease of \$2,045,407 from 2017.
- Operating Income was \$11,308,194, as compared to the prior year operating income of \$7,144,224.

### **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.

Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority. The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position regardless of when cash is received or paid. The statement of cash flows provides a presentation of cash flow information that complements the accrual basis financial statements of net position and revenues, expenses and changes in net position.

# ***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 inflows of resources and liabilities and deferred outflows of resources – 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.

The Bergen County Utilities Authority maintains one proprietary fund for two activities. Enterprise Funds are used to report the same functions presented as business-type activities. The Authority uses Enterprise Funds to account for its 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, 2018, 2017 and 2016 is presented below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Current and Other Assets	\$ 89,803,648	\$ 77,017,471	\$ 74,785,902
Capital Assets (Net of Accumulated Depreciation)	<u>209,023,665</u>	<u>217,595,277</u>	<u>228,832,044</u>
<b>Total Assets</b>	<u>298,827,313</u>	<u>294,612,748</u>	<u>303,617,946</u>
<b>Deferred Outflows of Resources</b>	<u>12,973,880</u>	<u>15,911,760</u>	<u>20,315,810</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>311,801,193</u>	<u>310,524,508</u>	<u>323,933,756</u>
<b>Liabilities</b>			
Non-Current Liabilities	323,843,862	338,466,511	364,262,253
Other Liabilities	<u>37,453,961</u>	<u>35,802,765</u>	<u>36,008,593</u>
<b>Total Liabilities</b>	<u>361,297,823</u>	<u>374,269,276</u>	<u>400,270,846</u>
<b>Deferred Inflows of Resources</b>	<u>15,047,691</u>	<u>10,804,290</u>	<u>1,403,464</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>376,345,514</u>	<u>385,073,566</u>	<u>401,674,310</u>
<b>Net Position</b>			
Net Investment in Capital Assets	62,348,539	53,519,383	49,054,902
Restricted	17,761,665	17,910,846	18,584,320
Unrestricted	<u>(144,654,525)</u>	<u>(145,979,287)</u>	<u>(145,379,776)</u>
<b>Total Net Position</b>	<u>\$ (64,544,321)</u>	<u>\$ (74,549,058)</u>	<u>\$ (77,740,554)</u>

The Authority's Net Position increased \$10,004,737 and \$3,191,496 for the years ended December 31, 2018 and 2017, respectively. The increase in 2018 is primarily attributable to a combination of revenue increases and expense reductions from the previous year. The decrease in 2016 is largely attributable to the implementation of GASB Statement No. 75 and reporting the corresponding liability for other post-employment benefits.

**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, 2018, 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>			
User Charges and Fees	\$ 82,256,426	\$ 80,443,840	\$ 77,789,900
Miscellaneous	<u>3,156,203</u>	<u>2,850,226</u>	<u>3,017,086</u>
Total Operating Revenues	<u>85,412,629</u>	<u>83,294,066</u>	<u>80,806,986</u>
<b>OPERATING EXPENSES</b>			
Cost of Providing Services	52,595,217	53,715,000	54,140,416
Administration	6,453,857	5,985,356	5,757,161
Other Post-Employment Benefits	3,037,997	4,198,670	3,733,139
Depreciation	<u>12,017,364</u>	<u>12,250,816</u>	<u>12,543,437</u>
Total Operating Expenses	<u>74,104,435</u>	<u>76,149,842</u>	<u>76,174,153</u>
<b>Operating Income</b>	<u>11,308,194</u>	<u>7,144,224</u>	<u>4,632,833</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Revenues	2,627,543	2,136,356	6,060,402
Expenses	<u>(3,931,000)</u>	<u>(6,089,084)</u>	<u>(5,961,162)</u>
Total Non-Operating Income (Expenses)	<u>(1,303,457)</u>	<u>(3,952,728)</u>	<u>99,240</u>
<b>Change in Net Position</b>	10,004,737	3,191,496	4,732,073
<b>Net Position, January 1</b>	(74,549,058)	(77,740,554)	32,063,327
Adjustment GASB No. 75 Implementation	<u>-</u>	<u>-</u>	<u>(114,535,954)</u>
<b>Net Position, December 31</b>	<u>\$ (64,544,321)</u>	<u>\$ (74,549,058)</u>	<u>\$ (77,740,554)</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, 2018, 2017 and 2016.

**Water Pollution Control Fund**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land and Site Improvements	\$ 5,728,514	\$ 5,728,514	\$ 5,728,514
Utility Plant and Infrastructure	375,381,134	375,381,134	374,218,002
Vehicles, Machinery and Equipment	157,684,547	157,297,845	157,151,895
Construction in Progress	<u>19,463,980</u>	<u>16,675,126</u>	<u>16,970,159</u>
Sub-Total	558,258,175	555,082,619	554,068,570
Less Accumulated Depreciation	<u>(349,234,510)</u>	<u>(337,487,342)</u>	<u>(325,236,526)</u>
Capital Assets, Net	<u>\$ 209,023,665</u>	<u>\$ 217,595,277</u>	<u>\$ 228,832,044</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 \$12,017,364, \$12,250,816 and \$12,543,437 in 2018, 2017 and 2016, 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, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water Pollution Control Fund			
Revenue Bonds Payable, Net	\$ 98,852,344	\$ 103,275,516	\$ 114,229,643
NJ EIT Loan Payable, Net	<u>58,701,250</u>	<u>65,808,170</u>	<u>72,751,645</u>
	<u>\$ 157,553,594</u>	<u>\$ 169,083,686</u>	<u>\$ 186,981,288</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 2019 budget.

The Water Pollution Control service charges budgeted for 2019 reflects no change 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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Unrestricted Current Assets</b>		
Cash and Cash Equivalents	\$ 40,183,172	\$ 40,236,819
Accrued Interest Receivable	201,132	110,854
Accounts Receivable	1,316,106	1,676,234
Grants Receivable	1,168,028	902,215
Other Accounts Receivable	478,588	1,408,290
Inventory	3,795,593	4,152,332
Prepaid Items	<u>37,510</u>	<u>113,212</u>
Total Unrestricted Current Assets	<u>47,180,129</u>	<u>48,599,956</u>
<b>Restricted Current Assets</b>		
Revenue Account		
Cash and Cash Equivalents	1,357,995	1,298,801
General Account		
Cash and Cash Equivalents	498,892	492,296
Bond Reserve Account		
Cash and Cash Equivalents	13,863,825	13,651,605
Accrued Interest Receivable	192,249	115,745
Bond Issuance Account		
Cash and Cash Equivalents	30	30
Bond Service Account		
Cash and Cash Equivalents	12,396,354	5,477,477
Accrued Interest Receivable	-	724
Construction Account		
Cash and Cash Equivalents	12,687,004	5,865,003
Accrued Interest Receivable	54,865	25,092
Renewal and Replacement Account		
Cash and Cash Equivalents	1,036,725	1,015,928
Accrued Interest Receivable	-	8,849
Unemployment Claims Account		
Cash and Cash Equivalents	499,495	465,965
Water Pollution Control Escrow		
Cash and Cash Equivalents	<u>36,085</u>	<u>-</u>
Total Restricted Current Assets	<u>42,623,519</u>	<u>28,417,515</u>
Total Current Assets	<u>89,803,648</u>	<u>77,017,471</u>
<b>Non-Current Assets</b>		
Capital Assets		
Land and Site Improvements	5,728,514	5,728,514
Utility Plant and Infrastructure	375,381,134	375,381,134
Vehicles, Machinery and Equipment	157,684,547	157,297,845
Construction in Progress	19,463,980	16,675,126
less: Accumulated Depreciation	<u>(349,234,510)</u>	<u>(337,487,342)</u>
Total Capital Assets (net of accumulated depreciation)	<u>209,023,665</u>	<u>217,595,277</u>
Total Noncurrent Assets	<u>209,023,665</u>	<u>217,595,277</u>
Total Assets	<u>298,827,313</u>	<u>294,612,748</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts on Refunding of Debt	2,973,003	3,560,459
Deferred Amounts on Net Pension Liability	<u>10,000,877</u>	<u>12,351,301</u>
Total Deferred Outflow of Resources	<u>12,973,880</u>	<u>15,911,760</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 311,801,193</u>	<u>\$ 310,524,508</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES</b>		
<b>Current Liabilities (Payable from Unrestricted Assets)</b>		
Accounts Payable	\$ 5,905,078	\$ 5,143,661
Escrow Deposits Payable	66,721	36,860
Accrued Expenses	2,709,987	2,407,038
Compensated Absences	217,694	267,637
Unearned Revenue	1,528,067	1,389,640
Accrued Liability for Insurance Claims	4,336,582	4,508,372
Claims Payable	431,507	476,916
Other Liabilities	118,189	114,950
	<u>15,313,825</u>	<u>14,345,074</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Revenue Bonds Payable	9,965,000	10,120,000
Long Term Loans Payable	7,084,614	7,049,266
Accrued Interest Payable	1,391,098	1,057,654
Contracts Payable	3,699,424	3,230,771
	<u>22,140,136</u>	<u>21,457,691</u>
<b>Non-Current Liabilities</b>		
Revenue Bonds Payable	88,887,344	93,155,516
Long Term Loans Payable	51,616,636	58,758,904
Compensated Absences	1,959,246	2,408,732
Post-Employment Benefits	139,995,736	136,957,739
Net Pension Liability	41,384,900	47,185,620
	<u>323,843,862</u>	<u>338,466,511</u>
<b>Total Liabilities</b>	<u>361,297,823</u>	<u>374,269,276</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Gains on Refunding of Debt	1,136,980	1,211,991
Deferred Amounts on Net Pension Liability	13,910,711	9,592,299
	<u>15,047,691</u>	<u>10,804,290</u>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<u>376,345,514</u>	<u>385,073,566</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	62,348,539	53,519,383
Restricted For:		
Debt Service	2,403,512	2,797,920
Debt Reserve	13,863,138	13,651,441
Renewal and Replacement	1,000,000	1,000,000
Unemployment Insurance	495,015	461,485
Unrestricted	(144,654,525)	(145,979,287)
<b>Total Net Position</b>	<u>\$ (64,544,321)</u>	<u>\$ (74,549,058)</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
User Charges and Fees	\$ 82,256,426	\$ 80,443,840
Miscellaneous	<u>3,156,203</u>	<u>2,850,226</u>
Total Operating Revenues	<u>85,412,629</u>	<u>83,294,066</u>
<b>OPERATING EXPENSES</b>		
Cost of Operations	52,595,217	53,715,000
Administration	6,453,857	5,985,356
Other Post-Employment Benefits	3,037,997	4,198,670
Depreciation	<u>12,017,364</u>	<u>12,250,816</u>
Total Operating Expenses	<u>74,104,435</u>	<u>76,149,842</u>
<b>OPERATING INCOME</b>	<u>11,308,194</u>	<u>7,144,224</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	873,961	610,955
Interest Expense	(3,481,160)	(4,947,169)
FEMA Reimbursements	415,813	15,756
Hurricane Expenses	(248,225)	(686,473)
Costs of Issuance	(201,615)	(455,442)
Intergovernmental Grants	<u>1,337,769</u>	<u>1,509,645</u>
Total Non-Operating Income (Expenses)	<u>(1,303,457)</u>	<u>(3,952,728)</u>
<b>CHANGE IN NET POSITION</b>	10,004,737	3,191,496
Total Net Position, January 1, As Restated	<u>(74,549,058)</u>	<u>(77,740,554)</u>
Total Net Position, December 31	<u>\$ (64,544,321)</u>	<u>\$ (74,549,058)</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 86,702,459	\$ 84,249,818
Cash Paid to Suppliers	(29,845,110)	(27,442,285)
Cash Paid for Salaries and Benefits	(27,522,569)	(29,296,864)
	<u>29,334,780</u>	<u>27,510,669</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Intergovernmental Grants	1,476,196	-
Natural Disaster - Hurricane Reimbursements	415,813	15,756
Natural Disaster - Hurricane Expenses	(248,225)	(686,473)
	<u>1,643,784</u>	<u>(670,717)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Intergovernmental Grants	(265,813)	-
Revenue Bond Proceeds	7,381,834	31,699,242
Payment to Escrow Account - Refunded Bonds	-	(31,959,336)
Principal Payment - Revenue Bonds	(10,120,000)	(9,830,000)
Principal Payment - Loans	(7,049,266)	(6,840,153)
Payment of Costs of Issuance	(201,615)	(455,442)
Acquisition of Capital Assets	(2,977,099)	(2,253,247)
Interest Paid - Bonds, Notes and Leases	(4,377,931)	(5,450,695)
	<u>(17,609,890)</u>	<u>(25,089,631)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received	<u>686,979</u>	<u>664,375</u>
	<u>686,979</u>	<u>664,375</u>
Net Change in Cash and Cash Equivalents	14,055,653	2,414,696
Cash and Cash Equivalents, January 1	<u>68,503,924</u>	<u>66,089,228</u>
Cash and Cash Equivalents, December 31,	<u>\$ 82,559,577</u>	<u>\$ 68,503,924</u>
Analysis of Balance at December 31,		
Cash and Equivalents		
Unrestricted	\$ 40,183,172	\$ 40,236,819
Restricted	<u>42,376,405</u>	<u>28,267,105</u>
	<u>\$ 82,559,577</u>	<u>\$ 68,503,924</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 11,308,194	\$ 7,144,224
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	12,017,364	12,250,816
(Increase)/Decrease in Accounts Receivable	360,128	918,411
(Increase)/Decrease in Other Accounts Receivable	929,702	37,341
(Increase)/Decrease in Inventory	356,739	(65,939)
(Increase)/Decrease in Prepaid Items	75,702	142,109
(Increase)/Decrease in Deferred Outflows - Net Pension Liability	2,350,424	3,953,593
Increase/(Decrease) in Accounts Payable	761,417	852,021
Increase/(Decrease) in Escrow Deposits Payable	29,861	11,321
Increase/(Decrease) in Accrued Expenses	302,949	148,618
Increase/(Decrease) in Accrued Compensated Absences	(499,429)	(119,388)
Increase/(Decrease) in Other Liabilities	3,239	(31,282)
Increase/(Decrease) in Claims Payable	(45,409)	(211,917)
Increase/(Decrease) in Accrued Liability for Insurance Claims	(171,790)	345,333
Increase/(Decrease) in Other Post-Employment Benefits	3,037,997	4,198,670
Increase/(Decrease) in Net Pension Liability	(5,800,720)	(11,490,248)
Increase/(Decrease) in Deferred Inflows - Net Pension Liability	<u>4,318,412</u>	<u>9,426,986</u>
Total Adjustments	<u>18,026,586</u>	<u>20,366,445</u>
Net Cash Provided by Operating Activities	<u>\$ 29,334,780</u>	<u>\$ 27,510,669</u>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Purchase of Capital Assets on Account	\$ 3,699,424	\$ 3,230,771
Original Issue Premium	(1,742,659)	(1,003,850)
Deferred Amount on Refunding of Debt	587,456	533,052
Deferred Gain on Refunding of Debt	(75,012)	(72,160)

**NOTES TO FINANCIAL STATEMENTS**

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**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, 2018 and 2017**

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

**B. New Accounting Standards**

During the years 2018 and 2017, the Authority adopted the following GASB statements:

- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the year ending December 31, 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.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.
- GASB 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.
- GASB 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

- GASB 84, *Fiduciary Activities*, will be effective beginning with the year ending December 31, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

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

**B. New Accounting Standards (Continued)**

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

- GASB No. 87, *Leases*, will be effective beginning with the year ending December 31, 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending December 31, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective beginning with the year ending December 31, 2020. The objectives of this Statement are: i) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and ii) to simplify accounting for interest cost incurred before the end of a construction period. This Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period.
- GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, will be effective beginning with the year ending December 31, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently.

**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 BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

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

**C. Basis of Presentation – Financial Statements (Continued)**

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, 2017 balances to conform to the December 31, 2018 presentation.

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

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

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

**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/inflows of resources, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

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

**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.

***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. Changes in the allowance for uncollectibles is recorded as an adjustment to revenue or as bad debt expenses depending on its effect on current year or prior year allowance amounts and the results of those changes.

***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.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

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

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

***6. Capital Assets (Continued)***

All capital assets are valued at historical cost and depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Class</u>	<u>Life</u>
Machinery and Equipment	5-15 Years
Vehicles	5 Years
Site Improvements	40 Years
Utility Plant and Improvements	40 Years

***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.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

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

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

***9. Pensions***

In the Authority-wide financial statements for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement Systems (PERS) sponsored and administered by the State of New Jersey and additions to/deductions from this retirement system's fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, benefit payments (including refunds of employee contributions) are recognized for the period incurred in accordance with the benefit terms. Investments are reported at fair value.

***10. Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

***11. Net Position***

There are three classes of net position:

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

***12. Net Position Flow Assumption***

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

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**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, 2018 and 2017, the Board designated \$715,181 and \$745,763 of the unrestricted Solid Waste Management Fund net position to balance the 2019 and 2018 Authority budgets, respectively. At December 31, 2018, the Board designated \$1,000,000 of the unrestricted Water Pollution Control Fund net position to balance the 2019 Authority budget.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**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  
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**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), National Credit Union Share Insurance Fund (NCUSIF), 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 or NCUSIF.

Bank balances at December 31, 2018 and 2017 are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Authority's deposits was \$79,999,405 and \$66,552,262 and bank balances of the Authority's cash and deposits amounted to \$99,179,492 and \$70,080,884, 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>2018</u>	<u>2017</u>
Insured	<u>\$ 99,179,492</u>	<u>\$ 70,080,884</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Authority does have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, none of the Authority’s bank balances were exposed to custodial risk.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**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. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the City or bonds or other obligations of the school districts which are part of the City or the school district located within the City; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law,” (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1.

As of December 31, 2018 and 2017, the Authority had the following investments which are reported on the Statements of Net Position as cash and cash equivalents.

	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
<u>Investment:</u>		
U.S. Government Securities - Money Market Funds	<u>\$ 2,560,172</u>	<u>\$ 1,951,662</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

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

**Investments (Continued)**

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, 2018 and 2017, \$2,560,172 and \$1,951,662, respectively, of the Authority’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority name	<u>\$ 2,560,172</u>	<u>\$ 1,951,662</u>

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

Credit Risk – The Bond Resolution and State law (N.J.S.A. 40A:5-15.1 and N.J.A.C. 5:30-14.19) 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 the “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  
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**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, 2018 and 2017, consisted of the following:

	<u>Water Pollution Control</u>	<u>Solid Waste Management</u>	<u>Total</u>
<b><u>December 31, 2018</u></b>			
Gross User Charges Receivable	\$ 107,292	\$ 1,208,814	\$ 1,316,106
Grants Receivable	1,168,028		1,168,028
Other Accounts Receivable	<u>478,582</u>	<u>6</u>	<u>478,588</u>
Accounts Receivable	<u>\$ 1,753,902</u>	<u>\$ 1,208,820</u>	<u>\$ 2,962,722</u>
<b><u>December 31, 2017</u></b>			
Gross User Charges Receivable	\$ 378,047	\$ 1,298,187	\$ 1,676,234
Grants Receivable	902,215		902,215
Other Accounts Receivable	<u>1,408,284</u>	<u>6</u>	<u>1,408,290</u>
Accounts Receivable	<u>\$ 2,688,546</u>	<u>\$ 1,298,193</u>	<u>\$ 3,986,739</u>

**NOTE 7 UNEARNED REVENUE**

Unearned revenue is reported in connection with resources that have been received, but not yet earned. At December 31, 2018 and 2017 the following was reported as unearned revenue:

	<u>2018</u>	<u>2017</u>
Solid Waste Recycling Grant	<u>\$ 1,528,067</u>	<u>\$ 1,389,640</u>
Total Unearned Revenue	<u>\$ 1,528,067</u>	<u>\$ 1,389,640</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance, January 1, <u>2018</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2018</u>
Land and Site Improvements	\$ 5,728,514			\$ 5,728,514
Utility Plant and Infrastructure	375,381,134			375,381,134
Vehicles, Machinery and Equipment	157,297,845	\$ 656,898	\$ (270,196)	157,684,547
Construction in Progress	<u>16,675,126</u>	<u>2,788,854</u>	<u>-</u>	<u>19,463,980</u>
	555,082,619	3,445,752	(270,196)	558,258,175
Less Accumulated Depreciation	<u>(337,487,342)</u>	<u>(12,017,364)</u>	<u>270,196</u>	<u>(349,234,510)</u>
Capital Assets, Net	<u>\$ 217,595,277</u>	<u>\$ (8,571,612)</u>	<u>\$ -</u>	<u>\$ 209,023,665</u>

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance, January 1, <u>2017</u>	<u>Increases</u>	Adjustments/ <u>Decreases</u>	Balance, December 31, <u>2017</u>
Land and Site Improvements	\$ 5,728,514			\$ 5,728,514
Utility Plant and Infrastructure	374,218,002	\$ 136,238	\$ 1,026,894	375,381,134
Vehicles, Machinery and Equipment	157,151,895	97,143	48,807	157,297,845
Construction in Progress	<u>16,970,159</u>	<u>2,266,186</u>	<u>(2,561,219)</u>	<u>16,675,126</u>
	554,068,570	2,499,567	(1,485,518)	555,082,619
Less Accumulated Depreciation	<u>(325,236,526)</u>	<u>(12,250,816)</u>	<u>-</u>	<u>(337,487,342)</u>
Capital Assets, Net	<u>\$ 228,832,044</u>	<u>\$ (9,751,249)</u>	<u>\$ (1,485,518)</u>	<u>\$ 217,595,277</u>

**NOTE 9 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 BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 LONG-TERM LIABILITIES (Continued)**

**A. Revenue Bonds (Continued)**

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 2008 Revenue Bonds, 2011 Refunding Bonds, 2014 BCIA Revenue Bonds, 2014 BCIA Refunding Bonds, 2016 BCIA Refunding Bonds, 2017 BCIA Refunding Bonds and 2018 BCIA Revenue Bonds, are not insured, but are guaranteed as specified in the County of Bergen guarantee ordinances.

Revenue Bonds outstanding at December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Water Pollution Control BCIA Revenue Bonds, Series 2008,		\$ 840,000
Water Pollution Control BCIA Revenue Bonds, Series 2014,		
5.00%, due December 15, 2019 to 2026	\$ 5,950,000	5,950,000
Water Pollution Control BCIA Refunding Bonds, Series 2014,		
5.00%, due December 15, 2019 to 2021	1,955,000	2,545,000
Water Pollution Control Revenue Refunding Bonds, Series 2014,		
3.00% to 5.00%, due December 15, 2019 to 2031	21,380,000	21,845,000
Water Pollution Control BCIA Refunding Bonds, Series 2016		
4.00% to 5.00%, due December 15, 2019 to 2027	9,430,000	10,250,000
Water Pollution Control BCIA Refunding Bonds, Series 2016		
3.00% to 5.00%, due December 15, 2019 to 2037	23,565,000	23,565,000
Water Pollution Control BCIA Refunding Bonds, Series 2017		
5.00%, due February 15, 2019 to 2021	22,635,000	30,040,000
Water Pollution Control BCIA Revenue Bonds, Series 2018		
5.00%, due August 15, 2022 to 2030	6,300,000	-
Total Revenue Bonds Payable	<u>\$ 91,215,000</u>	<u>\$ 95,035,000</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**NOTE 9 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
New Jersey Environmental Infrastructure Trust		
Trust Loan, Series 2005	\$ 1,267,608	\$ 1,422,551
Fund Loan, Series 2005	1,961,911	2,575,204
Trust Loan, Series 2006	8,597,501	11,829,917
Fund Loan, Series 2006	26,612,150	27,723,810
Trust Loan, Series 2007	211,000	228,000
Fund Loan, Series 2007	537,471	594,876
Trust Loan, Series 2008	3,468,000	3,813,000
Fund Loan, Series 2008	7,851,548	8,903,624
Trust Loan, Series 2010	895,000	960,000
Fund Loan, Series 2010	720,000	789,636
Trust Loan, Series 2012	235,000	250,000
Fund Loan, Series 2012	591,466	640,986
Trust Loan, Series 2016	1,690,000	1,750,000
Fund Loan, Series 2016	<u>3,713,732</u>	<u>3,920,050</u>
 Total Loans Payable	 <u>\$ 58,352,387</u>	 <u>\$ 65,401,654</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 \$2,176,943 and \$2,676,369 as of December 31, 2018 and 2017, respectively. Of this amount \$217,694 and \$267,637 is accrued as a current liability and the balances of \$1,959,246 and \$2,408,732 are reported as a long-term liability as of December 31, 2018 and 2017, respectively.

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**NOTE 9 LONG-TERM LIABILITIES (Continued)**

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

The Authority's long-term liability activity for the years ended December 31, 2018 and 2017 was as follows:

	Balance, January 1, 2018	Additions	Reductions	Balance, December 31, 2018	Due Within One Year
Revenue Bonds					
Serial Bonds	\$ 95,035,000	\$ 6,300,000	\$ 10,120,000	\$ 91,215,000	\$ 9,965,000
Add: Unamortized Premium-Bonds	<u>8,240,516</u>	<u>1,081,834</u>	<u>1,685,006</u>	<u>7,637,344</u>	<u>-</u>
Total Revenue Bonds - Net	<u>103,275,516</u>	<u>7,381,834</u>	<u>11,805,006</u>	<u>98,852,344</u>	<u>9,965,000</u>
Loans Payable					
NJ EIT Loan Payable	65,401,654	-	7,049,267	58,352,387	7,084,614
Add: Unamortized Premium	<u>406,516</u>	<u>-</u>	<u>57,653</u>	<u>348,863</u>	<u>-</u>
Total Loans Payable - Net	<u>65,808,170</u>	<u>-</u>	<u>7,106,920</u>	<u>58,701,250</u>	<u>7,084,614</u>
Accrued Compensated Absences	2,676,369		499,429	2,176,940	217,694
Net Pension Liability	47,185,620	-	5,800,720	41,384,900	
Other Post-Retirement Benefits	<u>136,957,739</u>	<u>6,028,611</u>	<u>2,990,614</u>	<u>139,995,736</u>	<u>-</u>
Total Long-Term Liabilities, Net	<u>\$ 355,903,414</u>	<u>\$ 13,410,445</u>	<u>\$ 28,202,689</u>	<u>\$ 341,111,170</u>	<u>\$ 17,267,308</u>
	Balance, January 1, 2017	Additions	Reductions	Balance, December 31, 2017	Due Within One Year
Revenue Bonds					
Serial Bonds	\$ 106,680,000	\$ 30,040,000	\$ 41,685,000	\$ 95,035,000	\$ 10,120,000
Add: Unamortized Premium-Bonds	<u>7,549,643</u>	<u>1,637,401</u>	<u>946,528</u>	<u>8,240,516</u>	<u>-</u>
Total Revenue Bonds - Net	<u>114,229,643</u>	<u>31,677,401</u>	<u>42,631,528</u>	<u>103,275,516</u>	<u>10,120,000</u>
Loans Payable					
NJ EIT Loan Payable	72,287,807		6,886,153	65,401,654	7,049,266
Add: Unamortized Premium	<u>463,838</u>	<u>-</u>	<u>57,322</u>	<u>406,516</u>	<u>-</u>
Total Loans Payable - Net	<u>72,751,645</u>	<u>-</u>	<u>6,943,475</u>	<u>65,808,170</u>	<u>7,049,266</u>
Accrued Compensated Absences	2,795,757		119,388	2,676,369	267,637
Net Pension Liability	58,675,868		11,490,248	47,185,620	
Other Post-Retirement Benefits	<u>109,840,021</u>	<u>27,117,718</u>	<u>-</u>	<u>136,957,739</u>	<u>-</u>
Total Long-Term Liabilities, Net	<u>\$ 358,292,934</u>	<u>\$ 58,795,119</u>	<u>\$ 61,184,639</u>	<u>\$ 355,903,414</u>	<u>\$ 17,436,903</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 9 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, 2018 is as follows:

Year Ending December 31,	Revenue Bonds		Loans Payable		Total
	Principal	Interest	Principal	Interest	
2019	\$ 9,965,000	\$ 3,866,638	\$ 7,084,614	\$ 771,927	\$ 21,688,179
2020	10,455,000	3,408,138	7,169,607	696,006	21,728,751
2021	10,975,000	2,875,763	7,244,620	616,107	21,711,490
2022	5,180,000	2,525,138	6,835,664	532,914	15,073,716
2023	5,435,000	2,266,138	6,800,143	446,360	14,947,641
2024-2028	27,325,000	7,191,990	20,336,293	910,667	55,763,950
2029-2033	15,385,000	2,331,226	1,887,489	148,255	19,751,970
2034-2037	6,495,000	502,569	993,957	30,400	8,021,926
	<u>\$ 91,215,000</u>	<u>\$ 24,967,600</u>	<u>\$ 58,352,387</u>	<u>\$ 4,152,636</u>	<u>\$ 178,687,623</u>

**NOTE 10 CONSTRUCTION COMMITMENTS**

As of December 31, 2018 and 2017, the Authority had the following commitments with respect to unfinished capital projects:

Project	Construction Commitment		Estimated Date of Completion
	2018	2017	
Sludge Transfer Area Improvements		\$ 11,034	2018
Lower Hackensack River Nutrient TMD	\$ 206,869	287,137	2019
Sludge Digester Improvements	799,917	799,917	2019
Wastewater Management Plan Amendment	40,911	40,911	2019
Special Environmental Consulting Services	11,239	11,239	2019
Assessment of Sewage Force Mains	541,925	598,604	2019
Heat and Power Cogeneration Project	920,791	1,073,135	2019
Biopower Expansion Project	6,551	6,193	2019
Harrington Park Surge Protector	9,007	9,007	2019
Little Ferry WPC Facilities Energy Resilience Bank		393,594	2018
GIS Global Information System	54,461		2019
ERP Implementation Services	172,700		2019
ERP Software and Services	900,753		2019
Enterprise Resource Planning System	34,300	-	2019
	<u>\$ 3,699,424</u>	<u>\$ 3,230,771</u>	

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**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, 2018 and 2017 in the Water Pollution Control Funds are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b><u>Bond Reserve Fund</u></b>		
Required Balances	\$ 13,863,138	\$ 13,651,441
Cash and Investments	<u>13,863,825</u>	<u>13,651,605</u>
Excess Funds	<u>\$ 687</u>	<u>\$ 164</u>
<b><u>Bond Service Fund</u></b>		
Required Balances	\$ 3,794,610	\$ 3,855,574
Cash and Investments	<u>12,396,354</u>	<u>5,477,477</u>
Excess Funds/(Deficiency)	<u>\$ 8,601,744</u>	<u>\$ 1,621,903</u>
<b><u>Renewal and Replacement Fund</u></b>		
Required Balances	\$ 1,000,000	\$ 1,000,000
Cash and Investments	<u>1,036,725</u>	<u>1,015,928</u>
Excess Funds	<u>\$ 36,725</u>	<u>\$ 15,928</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, 2018 and 2017, the Authority did not have any amounts available for the Operating Reserve. These amounts are less than the one month annual budgeted operating expenses permitted to be reserved under the provisions of the Bond Resolution.

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

**Public Employees’ Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Authority employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each 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 each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Investment Valuation (Continued)**

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

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2017 and 2016 PERS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**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 for 2018 and 2017 based on 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee’s annual compensation.

For PERS, which is a cost sharing multi-employer defined benefit pension plans, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Authority for 2018, 2017 and 2016 were equal to the required contributions.

During the years ended December 31, 2018, 2017 and 2016, the Authority, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>
2018	\$ 2,090,688
2017	1,877,811
2016	1,760,022

In addition for the years ended December 31, 2018 and 2017 the Authority contributed for long-term disability insurance premiums (LTDI) \$27,856 and \$8,745, respectively for PERS.

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

The regulatory basis of accounting requires participating employers in PERS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2018 and 2017, the Authority reported a liability of \$41,384,900 and \$47,185,620, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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. As of the measurement date of June 30, 2018, the Authority's proportionate share was 0.002102 percent, which was a decrease of 0.200599 percent from its proportionate share measured as of June 30, 2017 of 0.202701 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Authority's pension expense to be \$2,958,803 and \$3,807,133 respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Authority's financial statements of \$2,090,688 and \$1,877,611, respectively. At December 31, 2018 and 2017, the Authority's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Authority's financial statements are from the following sources:

	<u>2018</u>		<u>2017</u>	
	<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	\$ 789,216	\$ 213,394	\$ 1,111,058	
Changes of Assumptions	6,819,546	13,232,690	9,506,277	\$ 9,471,425
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		388,192	321,302	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	<u>2,392,115</u>	<u>76,435</u>	<u>1,412,664</u>	<u>120,874</u>
Total	<u>\$ 10,000,877</u>	<u>\$ 13,910,711</u>	<u>\$ 12,351,301</u>	<u>\$ 9,592,299</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

At December 31, 2018 the 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>
2019	\$ 858,253
2020	119,257
2021	(2,257,907)
2022	(2,023,761)
2023	(605,676)
Thereafter	<u>-</u>
	<u>\$ (3,909,834)</u>

***Actuarial Assumptions***

The Authority's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>2018 and 2017</u>	
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018 and 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

***Discount Rate***

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate (Continued)***

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

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, 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 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

<u>2018</u>	<b>1% Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
Authority's Proportionate Share of the PERS Net Pension Liability	\$ <u>52,036,743</u>	\$ <u>41,384,900</u>	\$ <u>32,448,685</u>
	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
<u>2017</u>			
Authority's Proportionate Share of the PERS Net Pension Liability	\$ <u>58,536,964</u>	\$ <u>47,185,620</u>	\$ <u>37,728,544</u>

The sensitivity analysis was based on the proportionate share of the Authority's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Authority's net pension liability was not provided by the pension system.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

**Plan Description**

The Authority provides a postemployment healthcare plan (OPEB) for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Authority. In accordance with Authority ordinances, contracts and/or policies, the Authority can amend the benefit terms and financing requirements of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Benefits Provided**

The Authority provides postretirement healthcare insurance benefits for retirees and their dependents who meet certain eligibility requirements. Coverage for medical including prescription drug coverage as part of medical plan. Dental and vision coverage is available to employees. Coverage for pre-65 and post-65 coverage. The Authority previously had both fully insured and self-funded benefits, but all coverages effective January 31, 2015 were converted to self-funded. In addition to medical, dental and vision coverage, the Authority reimburses Medicare eligible retirees and dependents with Medicare Part B premium. The Authority does not provide subsidized life insurance in retirement.

**Employees Covered by Postemployment Benefits**

At December 31, 2018, the following employees were covered by postemployment health care benefits:

Active Employees	163
Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>139</u>
	<u><u>302</u></u>

At December 31, 2018 and 2017, the Authority’s total OPEB liabilities were \$139,995,736 and \$136,957,739, respectively. Net OPEB liability was measured as of January 1, 2018, and the OPEB liability was determined by an actuarial valuation as of those dates or as of that date.

For the years ended December 31, 2018, the Authority has determined it’s OPEB expense to be \$3,037,997 based on the actuarial valuation. The Authority’s OPEB expense for 2017 were not available. Furthermore, since 2018 is the first year of implementation for GASB 75, the actuary report did not anticipate deferred outflows of resources or deferred inflows of resources.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions*

The Authority's total OPEB liability reported for the year ended December 31, 2018 was based on the January 1, 2018 measurement date as determined by an actuarial valuation as of January 1, 2018, which was rolled forward to December 31, 2018. The total OPEB liability reported for the year ended December 31, 2017 was based on the January 1, 2018 measurement date as determined by an actuarial valuation as of January 1, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2018</u>	<u>2017</u>
Salary Increases	3.0%	3.0%
Discount Rate	3.8%	3.7%
Healthcare Cost Trend Rates		
Year 1 Trend	8.0%	8.0%
Ultimate Trend	5.0%	5.0%
Grading Per Year	0.5%	0.5%

The discount rate was based on using on average of three 20 year bond indices (e.g.- Bond Buyer, S&P Municipal Bond and Fidelity GA).

Mortality rates were based on the RP 2014 Healthy Male and Female Mortality Table with adjustments for mortality improvements based on Scale MP-2018.

The actuarial assumptions used in the January 1, 2018 valuations were based on the results of an actuarial experience study for the period January 1, 2018 to December 31, 2018.

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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB (Continued)**

*Changes in the Total OPEB Liability*

The change in the Authority's OPEB liability for the years ended December 31, 2018 and 2017 based on measurement date of January 1, 2018 are as follows:

	<u>2018</u>	<u>2017</u>
Balance - Beginning of Year	\$ 136,957,739	\$ 18,223,115
Changes for the Year:		
Annual Required Contribution		\$ 4,677,129
Adjustment to Annual Required Contribution		1,138,495
Service Cost	\$ 881,039	
Interest on the Total OPEB Liability	5,147,572	674,255
Prior Period Adjustment	-	114,535,954
Benefit Payments	<u>(2,990,614)</u>	<u>(2,291,209)</u>
Net Changes	<u>3,037,997</u>	<u>118,734,624</u>
Balance - End of Year	<u>\$ 139,995,736</u>	<u>\$ 136,957,739</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Sensitivity of Net OPEB Liability to Changes in the Discount Rate*

The following presents the Authority's net OPEB liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.8%, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.80% or 1-percentage-point higher 4.80%, respectively than the current rate:

	<b>1% Decrease <u>(2.80%)</u></b>	<b>Current Discount Rate <u>(3.80%)</u></b>	<b>1% Increase <u>(4.80%)</u></b>
<b><u>2018</u></b>			
Net OPEB Liability	<u>\$ 168,894,023</u>	<u>\$ 139,995,736</u>	<u>\$ 118,093,450</u>

**2017**

Net OPEB Liability	<u>\$ 169,905,370</u>	<u>\$ 136,957,739</u>	<u>\$ 169,905,370</u>
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*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the Authority's net OPEB liability as of December 31, 2018 calculated using the healthcare trend rates as disclosed above as well as what the Authority's net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
<b><u>2018</u></b>			
Net OPEB Liability	<u>\$ 115,060,210</u>	<u>\$ 139,995,736</u>	<u>\$ 172,352,122</u>

**2017**

Net OPEB Liability	<u>\$ 109,508,279</u>	<u>\$ 136,957,739</u>	<u>\$ 169,905,370</u>
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**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**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 established a worker's compensation plan and a health benefits plan for its employees. Transactions related to the plans are accounted for in the self-insurance internal service fund. The Authority also offers the option of a traditional premium based health insurance plan. Claims are paid directly by the plans up to a maximum of \$500,000 for any one accident or occurrence for worker's compensation and \$95,000 for health benefits, with any excess benefit being reimbursed through a re-insurance agreement. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the Authority under existing reinsurance agreements.

Estimates of claims payable and of claims incurred, but not reported (IBNR) at December 31, 2018 and 2017, 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 \$4,768,089 and \$4,985,288 reported at December 31, 2018 and 2017, 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, 2018 and 2017 and 2016 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Unpaid Claims, January 1	\$ 4,985,288	\$ 4,851,872	\$ 4,756,845
Incurred Claims	<u>9,349,236</u>	<u>11,165,468</u>	<u>8,035,429</u>
	14,334,524	16,017,340	12,792,274
Less Claim Payments	<u>(9,566,435)</u>	<u>(11,032,052)</u>	<u>(7,940,402)</u>
Unpaid Claims, December 31	<u>\$ 4,768,089</u>	<u>\$ 4,985,288</u>	<u>\$ 4,851,872</u>

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

<u>Year Ended</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Employer</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 24,378	\$ 24,378	\$ 15,908	\$ 495,015
2017	24,201	24,201	279	461,485
2016	22,892	22,892	291	413,341

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**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. 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, 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 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. 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, 2018 and 2017, 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, 2018 and 2017, the Authority had no estimated arbitrage earnings due to the IRS.

**NOTE 15 RESTATEMENT**

The December 31, 2017 net position has been restated to reflect the implementation GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The effect of this adjustment was a decrease of \$114,535,954 in net position from the original balance of \$39,986,896 to a restated deficit balance of \$74,549,058. In addition, the December 31, 2017 Post-Retirement Benefits Payable on the Statement of Net Position has been increased from an original balance of \$22,421,785 to a restated balance of \$136,957,739.

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF CHANGES IN OPEB LIABILITY

Post-Employment Health Benefit Plan

TOTAL OPEB LIABILITY

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual Required Contribution		\$ 4,677,129	\$ 4,366,555	\$ 3,845,495	\$ 3,320,696	\$ 3,118,555	\$ 3,340,231	\$ 3,410,290	\$ 2,893,445	\$ 2,664,590
Adjustment to Annual Required Contribution		1,138,495	958,853	345,113	(132,795)	(505,006)	309,094	278,860	493,225	(473,839)
Service Cost	\$ 881,039									
Interest on Total OPEB Liability	5,147,572	674,255	579,599	483,332	505,194	454,907	363,215	274,848	217,617	152,439
Prior Period Adjustment		114,535,954								
Benefit Payments	(2,990,614)	(2,291,209)	(2,171,868)	(2,267,264)	(1,713,682)	(2,062,718)	(2,178,681)	(2,196,672)	(1,734,269)	(1,256,902)
Net Change in Total OPEB Liability	3,037,997	118,734,624	3,733,139	2,406,676	1,979,413	1,005,738	1,833,859	1,767,326	1,870,018	1,086,288
Total OPEB Liability - Beginning of Year	136,957,739	18,223,115	14,489,976	12,083,300	10,103,887	9,098,149	7,264,290	5,496,964	3,626,946	2,540,658
Total OPEB Liability - End of Year	\$ 139,995,736	\$ 136,957,739	\$ 18,223,115	\$ 14,489,976	\$ 12,083,300	\$ 10,103,887	\$ 9,098,149	\$ 7,264,290	\$ 5,496,964	\$ 3,626,946
Authority's Covered-Employee Payroll	\$ 14,689,425	\$ 14,244,544	\$ 13,705,167	\$ 13,659,984	\$ 15,082,997	\$ 14,555,003	\$ 14,654,776	\$ 14,275,064	\$ 13,749,654	\$ 13,290,722
Total OPEB Liability as a Percentage of its Covered-Employee Payroll	953.04%	961.48%	132.97%	106.08%	80.11%	69.42%	62.08% #	50.89%	39.98%	27.29%

**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 Six Years \***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Position Liability (Asset)	0.002102%	0.202701%	0.198114%	0.197070%	0.198390%	0.192007%
Authority's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 41,384,900</u>	<u>\$ 47,185,621</u>	<u>\$ 58,675,868</u>	<u>\$ 44,238,333</u>	<u>\$ 37,144,181</u>	<u>\$ 36,696,492</u>
Authority's Covered-Employee Payroll	<u>\$ 14,569,762</u>	<u>\$ 14,244,544</u>	<u>\$ 13,705,167</u>	<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	284.05%	331.25%	428.13%	323.53%	272.22%	274.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	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 Six Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Employer Contribution	\$ 2,090,688	\$ 1,877,811	\$ 1,760,022	\$ 1,694,276	\$ 1,635,505	\$ 1,446,739
Contributions in Relation to the Contractually Required Contributions	<u>2,090,688</u>	<u>1,877,811</u>	<u>1,760,022</u>	<u>1,694,276</u>	<u>1,635,505</u>	<u>1,446,739</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered- Employee Payroll	<u>\$ 14,569,762</u>	<u>\$ 14,244,544</u>	<u>\$ 13,705,167</u>	<u>\$ 13,673,436</u>	<u>\$ 13,645,098</u>	<u>\$ 13,347,538</u>
Contributions as a Percentage of Covered-Employee Payroll	14.35%	13.18%	12.84%	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, 2018**

**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 12.

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2018**

	Water Pollution Control	Solid Waste Management	Total
<b>ASSETS</b>			
<b>Unrestricted Current Assets</b>			
Cash and Cash Equivalents	\$ 35,914,755	\$ 4,268,417	\$ 40,183,172
Accrued Interest Receivable	201,132	-	201,132
Accounts Receivable	107,292	1,208,814	1,316,106
Grants Receivable	1,168,028		1,168,028
Other Accounts Receivable	478,582	6	478,588
Internal Balances	131,275	(131,275)	-
Inventory	3,795,593		3,795,593
Prepaid Items	37,275	235	37,510
	<u>41,833,932</u>	<u>5,346,197</u>	<u>47,180,129</u>
<b>Restricted Current Assets</b>			
Revenue Account			
Cash and Cash Equivalents	1,357,995		1,357,995
General Account			
Cash and Cash Equivalents	498,892		498,892
Bond Reserve Account			
Cash and Cash Equivalents	13,863,825		13,863,825
Accrued Interest Receivable	192,249		192,249
Bond Issuance Account			
Cash and Cash Equivalents	30		30
Bond Service Account			
Cash and Cash Equivalents	12,396,354		12,396,354
Construction Account			
Cash and Cash Equivalents	12,687,004		12,687,004
Accrued Interest Receivable	54,865		54,865
Renewal and Replacement Account			
Cash and Cash Equivalents	1,036,725		1,036,725
Unemployment Insurance Account			
Cash and Cash Equivalents	484,510	14,985	499,495
Water Pollution Control Escrow			
Cash and Cash Equivalents	36,085	-	36,085
	<u>42,608,534</u>	<u>14,985</u>	<u>42,623,519</u>
<b>Total Current Assets</b>	<u>84,442,466</u>	<u>5,361,182</u>	<u>89,803,648</u>
<b>Non-Current Assets</b>			
Capital Assets:			
Land and Site Improvements	5,728,514		5,728,514
Utility Plant and Infrastructure	375,381,134		375,381,134
Vehicles, Machinery and Equipment	157,684,547		157,684,547
Construction in Progress	19,463,980		19,463,980
less: Accumulated Depreciation	(349,234,510)	-	(349,234,510)
	<u>209,023,665</u>	<u>-</u>	<u>209,023,665</u>
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<u>209,023,665</u>	<u>-</u>	<u>209,023,665</u>
<b>Total Noncurrent Assets</b>	<u>209,023,665</u>	<u>-</u>	<u>209,023,665</u>
<b>Total Assets</b>	<u>293,466,131</u>	<u>5,361,182</u>	<u>298,827,313</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding of Debt	2,973,003	-	2,973,003
Deferred Amounts on Net Pension Liability	9,528,836	472,041	10,000,877
	<u>12,501,839</u>	<u>472,041</u>	<u>12,973,880</u>
<b>Total Deferred Outflow of Resources</b>	<u>12,501,839</u>	<u>472,041</u>	<u>12,973,880</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 305,967,970</u>	<u>\$ 5,833,223</u>	<u>\$ 311,801,193</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2018**

	Water Pollution Control	Solid Waste Management	Total
<b>LIABILITIES</b>			
<b>Current Liabilities (Payable from Unrestricted Assets)</b>			
Accounts Payable	\$ 4,784,506	\$ 1,120,572	\$ 5,905,078
Escrow Deposits Payable	66,721	-	66,721
Accrued Expenses	2,371,854	338,133	2,709,987
Compensated Absences	212,216	5,478	217,694
Unearned Revenue	-	1,528,067	1,528,067
Accrued Liability for Insurance Claims	4,206,485	130,097	4,336,582
Claims Payable	418,562	12,945	431,507
Other Liabilities	114,867	3,322	118,189
	<u>12,175,211</u>	<u>3,138,614</u>	<u>15,313,825</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>			
Revenue Bonds Payable	9,965,000		9,965,000
Long Term Loans Payable	7,084,614		7,084,614
Accrued Interest Payable	1,391,098		1,391,098
Contracts Payable	3,699,424	-	3,699,424
	<u>22,140,136</u>	<u>-</u>	<u>22,140,136</u>
<b>Non-Current Liabilities</b>			
Revenue Bonds Payable	88,887,344		88,887,344
Long Term Loans Payable	51,616,636		51,616,636
Compensated Absences	1,909,941	49,305	1,959,246
Post-Employment Benefits	135,795,864	4,199,872	139,995,736
Net Pension Liability	39,431,535	1,953,365	41,384,900
	<u>317,641,320</u>	<u>6,202,542</u>	<u>323,843,862</u>
<b>Total Liabilities</b>	<u>351,956,667</u>	<u>9,341,156</u>	<u>361,297,823</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Gains on Refunding of Debt	1,136,980	-	1,136,980
Deferred Amounts on Net Pension Liability	13,254,125	656,586	13,910,711
	<u>14,391,105</u>	<u>656,586</u>	<u>15,047,691</u>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<u>366,347,772</u>	<u>9,997,742</u>	<u>376,345,514</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	62,348,539		62,348,539
Restricted For:			
Debt Service	2,403,512		2,403,512
Debt Reserve	13,863,138		13,863,138
Renewal and Replacement	1,000,000		1,000,000
Unemployment Insurance	480,164	14,851	495,015
Unrestricted	(140,475,155)	(4,179,370)	(144,654,525)
<b>Total Net Position</b>	<u>\$ (60,379,802)</u>	<u>\$ (4,164,519)</u>	<u>\$ (64,544,321)</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Water Pollution Control	Solid Waste Management	Total
<b>OPERATING REVENUES</b>			
User Charges and Fees	\$ 74,999,519	\$ 7,256,907	\$ 82,256,426
Miscellaneous	<u>3,140,967</u>	<u>15,236</u>	<u>3,156,203</u>
Total Operating Revenues	<u>78,140,486</u>	<u>7,272,143</u>	<u>85,412,629</u>
<b>OPERATING EXPENSES</b>			
Cost of Operations	43,696,768	8,898,449	52,595,217
Allocated Administration	6,257,168	196,689	6,453,857
Other Post-Employment Benefits	2,946,857	91,140	3,037,997
Depreciation	<u>12,017,364</u>	<u>-</u>	<u>12,017,364</u>
Total Operating Expenses	<u>64,918,157</u>	<u>9,186,278</u>	<u>74,104,435</u>
<b>OPERATING INCOME (LOSS)</b>	<u>13,222,329</u>	<u>(1,914,135)</u>	<u>11,308,194</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment Income	830,681	43,280	873,961
Interest Expense	(3,481,160)		(3,481,160)
FEMA Reimbursements	415,813		415,813
Hurricane Expenses	(248,225)		(248,225)
Costs of Issuance	(201,615)		(201,615)
Intergovernmental Grants	<u>-</u>	<u>1,337,769</u>	<u>1,337,769</u>
Total Non-Operating Income (Expenses)	<u>(2,684,506)</u>	<u>1,381,049</u>	<u>(1,303,457)</u>
<b>CHANGE IN NET POSITION</b>	10,537,823	(533,086)	10,004,737
Total Net Position, January 1, 2018	<u>(70,917,625)</u>	<u>(3,631,433)</u>	<u>(74,549,058)</u>
Total Net Position, December 31, 2018	<u>\$ (60,379,802)</u>	<u>\$ (4,164,519)</u>	<u>\$ (64,544,321)</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Water Pollution Control	Solid Waste Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 79,340,943	\$ 7,361,516	\$ 86,702,459
Cash Paid to Suppliers	(21,261,943)	(8,583,167)	(29,845,110)
Cash Paid for Salaries and Benefits	(27,077,894)	(444,675)	(27,522,569)
Net Cash Provided by (Used for) Operating Activities	<u>31,001,106</u>	<u>(1,666,326)</u>	<u>29,334,780</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund Transactions	(93,365)	93,365	-
Natural Disaster - Hurricane Reimbursements	415,813		415,813
Natural Disaster - Hurricane Expenses	(248,225)	-	(248,225)
Proceeds from Intergovernmental Grants	-	1,476,196	1,476,196
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>74,223</u>	<u>1,569,561</u>	<u>1,643,784</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds (Uses) from Intergovernmental Grants	(265,813)		(265,813)
Revenue Bond Proceeds	7,381,834		7,381,834
Principal Payment - Revenue Bonds	(10,120,000)		(10,120,000)
Principal Payment - Loans	(7,049,266)		(7,049,266)
Payment of Costs of Issuance	(201,615)		(201,615)
Acquisition of Capital Assets	(2,977,099)		(2,977,099)
Interest Paid - Bonds, Notes and Loans	(4,377,931)	-	(4,377,931)
Net Cash (Used for) Capital and Related Financing Activities	<u>(17,609,890)</u>	<u>-</u>	<u>(17,609,890)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends Received	642,537	44,442	686,979
Net Cash Provided by Investing Activities	<u>642,537</u>	<u>44,442</u>	<u>686,979</u>
Net Change in Cash and Cash Equivalents	14,107,976	(52,323)	14,055,653
Cash and Cash Equivalents, January 1, 2018	64,168,199	4,335,725	68,503,924
Cash and Cash Equivalents, December 31, 2018	<u>\$ 78,276,175</u>	<u>\$ 4,283,402</u>	<u>\$ 82,559,577</u>
Analysis of Balance at December 31, 2018			
Cash and Equivalents			
Unrestricted	\$ 35,914,755	\$ 4,268,417	\$ 40,183,172
Restricted	42,361,420	14,985	42,376,405
	<u>\$ 78,276,175</u>	<u>\$ 4,283,402</u>	<u>\$ 82,559,577</u>

Continued

**THE BERGEN COUNTY UTILITIES AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Water Pollution Control	Solid Waste Management	Total
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ 13,222,329	\$ (1,914,135)	\$ 11,308,194
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Depreciation	12,017,364		12,017,364
(Increase)/Decrease in Accounts Receivable	270,755	89,373	360,128
(Increase)/Decrease in Other Accounts Receivable	929,702	-	929,702
(Increase)/Decrease in Inventory	356,739	-	356,739
(Increase)/Decrease in Prepaid Items	73,480	2,222	75,702
(Increase)/Decrease in Deferred Outflows - Net Pension Liability	2,239,484	110,940	2,350,424
Increase/(Decrease) in Accounts Payable	729,879	31,538	761,417
Increase/(Decrease) in Escrow Deposits Payable	29,861	-	29,861
Increase/(Decrease) in Accrued Expenses	301,549	1,400	302,949
Increase/(Decrease) in Compensated Absences	(497,013)	(2,416)	(499,429)
Increase/(Decrease) in Other Liabilities	3,146	93	3,239
Increase/(Decrease) in Claims Payable	(44,047)	(1,362)	(45,409)
Increase/(Decrease) in Accrued Liability for Insurance Claim	(166,636)	(5,154)	(171,790)
Increase/(Decrease) in Other Post-Employment Benefits	2,946,857	91,140	3,037,997
Increase/(Decrease) in Net Pension Liability	(5,526,926)	(273,794)	(5,800,720)
Increase/(Decrease) in Deferred Inflows - Net Pension Liability	4,114,583	203,829	4,318,412
Total Adjustments	17,778,777	247,809	18,026,586
Net Cash Provided by (Used for) Operating Activities	\$ 31,001,106	\$ (1,666,326)	\$ 29,334,780
<b>Noncash Investing, Capital and Financing Activities:</b>			
Purchase of Capital Assets on Account	\$ 3,699,424		\$ 3,699,424
Original Issue Premium	(1,742,659)		(1,742,659)
Deferred Amount on Refunding of Debt	587,456		587,456
Deferred Gain on Refunding of Debt	(75,012)		(75,012)

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**WATER POLLUTION CONTROL DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2017)

	Modified <u>Budget</u>	<u>Actual</u>	Variance <u>Excess (Deficit)</u>	2017 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Service Agreements	\$ 73,092,016	\$ 72,788,236	\$ (303,780)	\$ 71,697,864
Sewer Connection Fees	1,395,000	2,211,283	816,283	1,664,030
Miscellaneous				
Edgewater Debt Service Contribution	1,469,217	1,469,217	-	1,469,217
Sale of Treated Effluent	1,250,000	1,112,009	(137,991)	974,722
IPP Permits	240,000	300,824	60,824	242,050
Other	100,000	258,917	158,917	140,576
	<u>77,546,233</u>	<u>78,140,486</u>	<u>594,253</u>	<u>76,188,459</u>
<b>NON-OPERATING REVENUES</b>				
Interest on Investments	300,000	773,726	473,726	530,632
Intergovernmental Grant		-	-	902,215
FEMA Reimbursements	-	415,813	415,813	15,756
	<u>300,000</u>	<u>1,189,539</u>	<u>889,539</u>	<u>1,448,603</u>
Total Operating Revenues	<u>77,546,233</u>	<u>78,140,486</u>	<u>594,253</u>	<u>76,188,459</u>
Total Non-Operating Revenues	<u>300,000</u>	<u>1,189,539</u>	<u>889,539</u>	<u>1,448,603</u>
Total Water Pollution Revenues	<u>77,846,233</u>	<u>79,330,025</u>	<u>1,483,792</u>	<u>77,637,062</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>Operations and Maintenance</b>				
Salaries and Wages	9,434,684	9,392,981	41,703	9,312,347
<b>Engineering</b>				
Salaries and Wages	1,139,911	1,032,570	107,341	1,176,513
Other Expenses	3,604,747	3,163,976	440,771	3,346,900
<b>Collection</b>				
Salaries and Wages	1,449,662	1,225,117	224,545	1,661,087
Other Expenses	675,000	611,080	63,920	503,153
<b>Compliance</b>				
Salaries and Wages	1,367,998	1,265,448	102,550	1,291,983
Other Expenses	315,000	337,457	(22,457)	273,570
<b>Facilities Cost</b>				
Telephone	-	348	(348)	315
Water	405,000	395,006	9,994	430,447
Electric	3,500,000	3,566,527	(66,527)	3,345,751
Gas	720,000	764,482	(44,482)	416,292
Fuel Oil	175,000	178,806	(3,806)	79,170

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**WATER POLLUTION CONTROL DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2017)

	Modified <u>Budget</u>	<u>Actual</u>	Variance <u>Excess (Deficit)</u>	2017 <u>Actual</u>
<b>Direct Processing</b>				
Other Expenses	\$ 1,620,000	\$ 1,406,978	\$ 213,022	\$ 1,396,777
<b>Waste Disposal</b>				
Other Expenses	7,900,000	7,186,077	713,923	6,844,712
<b>Contract Maintenance</b>				
Other Expenses	100,000	52,383	47,617	68,073
<b>Replacement Parts</b>				
Other Expenses	2,025,000	1,068,841	956,159	707,571
<b>Supplies</b>				
Other Expenses	685,000	365,496	319,504	406,703
<b>Safety Programs</b>				
Other Expenses	230,000	194,893	35,107	168,530
<b>Insurance</b>				
Multi-Peril	980,000	913,662	66,338	909,136
<b>Employee Benefits</b>				
Public Employees Retirement System	1,656,881	1,687,212	(30,331)	1,609,055
Social Security	1,062,728	972,805	89,923	951,122
Unemployment Insurance	140,000	129,758	10,242	136,148
Workers Compensation	450,000	421,051	28,949	382,084
Prescription/Vision Insurance	3,171,048	1,885,117	1,285,931	2,220,151
Health Insurance	3,747,385	2,878,592	868,793	4,833,134
Dental Insurance	367,181	249,437	117,744	249,196
<b>Compensated Absences</b>				
Salaries and Wages	120,000	104,450	15,550	(84,991)
<b>Total Operating Appropriations</b>	47,042,225	41,450,550	5,591,675	42,634,929
<b>Capital Outlay</b>				
Miscellaneous	500,000	1,817,533	(1,317,533)	285,348
<b>Total Appropriations</b>	47,542,225	43,268,083	4,274,142	42,920,277

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**WATER POLLUTION CONTROL DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2017)

	Modified <u>Budget</u>	<u>Actual</u>	Variance <u>Excess (Deficit)</u>	2017 <u>Actual</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Bond and Loan Principal	\$ 17,264,266	\$ 17,169,266	\$ 95,000	\$ 16,670,153
Bond and Loan Interest	5,334,281	4,377,931	956,350	5,450,595
Natural Disaster - Hurricane Expenses	-	248,225	(248,225)	686,473
Trustee Fees	<u>250,000</u>	<u>184,500</u>	<u>65,500</u>	<u>282,964</u>
Total Non-Operating Appropriations	<u>22,848,547</u>	<u>21,979,922</u>	<u>868,625</u>	<u>23,090,185</u>
<b>Allocated Appropriations</b>				
<b>Inter-Department Costs</b>				
Salaries and Wages	2,937,139	2,558,863	378,276	2,738,548
Fringe Benefits	3,317,470	2,777,480	539,990	1,914,619
Other Expenses	<u>1,200,852</u>	<u>920,826</u>	<u>280,026</u>	<u>1,152,613</u>
Total Allocated Appropriations	<u>7,455,461</u>	<u>6,257,169</u>	<u>1,198,292</u>	<u>5,805,780</u>
Total Appropriations	<u>77,846,233</u>	<u>71,505,174</u>	<u>6,341,059</u>	<u>71,816,242</u>
Budgetary Income	<u>\$ -</u>	<u>7,824,851</u>	<u>\$ 7,824,851</u>	<u>5,820,820</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustments				
Depreciation Expense		(12,017,364)		(12,250,816)
Budgetary Capital Outlay - Capitalized		907,100		-
Change in Inventory		(356,739)		65,939
Principal Paid on Long-Term Debt		17,169,266		16,670,153
Payment of Costs of Issuance		(201,615)		(455,442)
Change in Accrued Interest Payable, net		(333,444)		(39,532)
Change in Deferred Outflows - Net Pension Liability		(2,239,484)		(3,766,983)
Change in Accrued Expenses - Pension Obligation		(202,829)		(112,229)
Change in Net Pension Liability		5,526,926		10,947,907
Change in Deferred Inflows - Net Pension Liability		(4,114,583)		(8,982,032)
Amortization of Bonds, Loans Premium, Discount and				
Deferred Amounts on Refunding of Debt		1,230,215		542,958
Change in Net Position				
Other Post-Employment Benefits		(2,946,857)		(4,072,710)
Self Insurance		259,855		(229,946)
Unemployment Insurance		<u>32,525</u>		<u>46,700</u>
Change in Net Position - GAAP Basis		<u>\$ 10,537,823</u>		<u>\$ 4,184,787</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SOLID WASTE MANAGEMENT DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2017)

	Modified Budget	Actual	Variance Excess (Deficit)	2017 Actual
<b>OPERATING REVENUES</b>				
Cooperative Marketing/Recycling Program	\$ 6,951,505	\$ 7,202,848	\$ 251,343	\$ 7,029,987
Program Admin. Fees	51,303	54,059	2,756	51,959
Miscellaneous	25,000	15,236	(9,764)	23,661
Total Operating Revenues	<u>7,027,808</u>	<u>7,272,143</u>	<u>244,335</u>	<u>7,105,607</u>
<b>NON-OPERATING REVENUES</b>				
Recycling and Solid Waste Grants	1,639,845	1,337,769	(302,076)	607,430
Interest on Investments	15,000	41,519	26,519	26,908
Retained Earnings Anticipated	745,763	745,763	-	995,541
Total Non-Operating Revenues	<u>2,400,608</u>	<u>2,125,051</u>	<u>(275,557)</u>	<u>1,629,879</u>
Total Solid Waste Revenues	<u>9,428,416</u>	<u>9,397,194</u>	<u>(31,222)</u>	<u>8,735,486</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>Planning and Administration</b>				
Salaries and Wages	18,722	1,559	17,163	-
Other Expenses	176,000	5,364	170,636	22,011
Cooperative Marketing	6,951,506	7,202,848	(251,342)	7,024,434
<b>Recycling</b>				
Salaries and Wages	423,109	102,239	320,870	348,633
Other Expenses	15,000	-	15,000	3,154
Grant Entitlements	1,198,014	1,337,769	(139,755)	607,430
<b>Insurance</b>				
Other Expenses	35,876	31,549	4,327	27,653
<b>Employee Benefits</b>				
Public Employees Retirement System	40,911	2,437	38,474	43,980
Social Security	35,093	4,224	30,869	25,475
Unemployment Insurance	5,250	938	4,312	2,945
Workers Compensation	20,000	2,213	17,787	3,147
Health Insurance	109,064	81,487	27,577	108,962
Prescription/Vision Insurance	133,938	74,255	59,683	94,361
Compensated Absences	10,000	-	10,000	3,828
Dental Insurance	20,585	7,826	12,759	11,237
Total Operating Appropriations	<u>9,193,068</u>	<u>8,854,708</u>	<u>338,360</u>	<u>8,327,250</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SOLID WASTE MANAGEMENT DIVISION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2017)

	Modified <u>Budget</u>	<u>Actual</u>	Variance <u>Excess (Deficit)</u>	2017 <u>Actual</u>
<b>Allocated Appropriations</b>				
<b>Inter-Department Costs</b>				
Salaries and Wages	\$ 90,839	\$ 79,140	\$ 11,699	\$ 84,697
Fringe Benefits	102,602	85,941	16,661	59,215
Other Expenses	<u>37,140</u>	<u>31,608</u>	<u>5,532</u>	<u>35,663</u>
 Total Allocated Appropriations	 <u>230,581</u>	 <u>196,689</u>	 <u>33,892</u>	 <u>179,575</u>
 Total Appropriations	 <u>9,423,649</u>	 <u>9,051,397</u>	 <u>372,252</u>	 <u>8,506,825</u>
 Budgetary Income	 <u>\$ 4,767</u>	 345,797	 <u>\$ 341,030</u>	 228,661
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustments				
Change in Deferred Outflows - Net Pension Liability		(110,940)		(186,610)
Change in Accrued Expenses - Pension Obligation		(10,048)		(5,560)
Change in Net Pension Liability		273,794		542,341
Change in Deferred Inflows - Net Pension Liability		(203,829)		(444,954)
Change in Net Position				
Other Post-Employment Benefits		(91,140)		(125,960)
Self Insurance		8,037		(7,112)
Unemployment Insurance		1,006		1,444
Retained Earnings Anticipated		<u>(745,763)</u>		<u>(995,541)</u>
Change in Net Position, GAAP Basis		<u>\$ (533,086)</u>		<u>\$ (993,291)</u>

THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Amount	Maturities of Bonds		Interest Rate	Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018
		Date	Amount					
2008 Revenue Bonds	\$ 29,600,000				\$ 840,000		\$ 840,000	
2014 Refunding Bonds	4,175,000	12/15/2019	\$ 620,000	5.000 %				
		12/15/2020	650,000	5.000				
		12/15/2021	685,000	5.000	2,545,000	-	590,000	\$ 1,955,000
2014 Refunding Bonds	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 Revenue Bonds	22,715,000	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	21,845,000	-	465,000	21,380,000
2016 BCIA Refunding Bonds	\$ 10,320,000	8/15/2019	870,000	5.000 %				
		8/15/2020	900,000	5.000				
		8/15/2021	945,000	5.000				
		8/15/2022	990,000	5.000				
		8/15/2023	1,040,000	5.000				
		8/15/2024	1,095,000	5.000				
		8/15/2025	1,150,000	4.000				
		8/15/2026	1,195,000	4.000				
8/15/2027	1,245,000	5.000	10,250,000		820,000	9,430,000		

Continued

THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Amount	Maturities of Bonds		Interest Rate	Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018
		Date	Amount					
2016 BCIA Refunding Bonds	\$ 23,795,000	8/15/2019	\$ 820,000	5.000 %				
		8/15/2020	855,000	5.000				
		8/15/2021	885,000	5.000				
		8/15/2022	930,000	5.000				
		8/15/2023	975,000	5.000				
		8/15/2024	1,030,000	5.000				
		8/15/2025	1,080,000	4.000				
		8/15/2026	1,120,000	4.000				
		8/15/2027	1,170,000	5.000				
		8/15/2028	1,225,000	5.000				
		8/15/2029	1,290,000	5.000				
		8/15/2030	1,350,000	3.500				
		8/15/2031	1,400,000	3.500				
		8/15/2032	1,445,000	3.500				
		8/15/2033	1,495,000	3.500				
		8/15/2034	1,545,000	3.500				
		8/15/2035	1,600,000	3.000				
8/15/2036	1,650,000	3.000						
8/15/2037	1,700,000	3.000		\$ 23,565,000	-	-	\$ 23,565,000	
2017 BCIA Refunding Bonds	30,040,000	2/15/2019	7,170,000	5.000 %				
		2/15/2020	7,540,000	5.000				
		2/15/2021	7,925,000	5.000	30,040,000	-	7,405,000	22,635,000
2018 BCIA Revenue Bonds	6,300,000	8/15/2022	570,000	5.000				
		8/15/2023	600,000	5.000				
		8/15/2024	630,000	5.000				
		8/15/2025	660,000	5.000				
		8/15/2026	695,000	5.000				
		8/15/2027	730,000	5.000				
		8/15/2028	765,000	5.000				
		8/15/2029	805,000	5.000				
		8/15/2030	845,000	5.000				
						-	\$ 6,300,000	-
				\$ 95,035,000	\$ 6,300,000	\$ 10,120,000	\$ 91,215,000	
					\$ 6,300,000			
					-	\$ 10,120,000		
					\$ 6,300,000	\$ 10,120,000		
							(9,965,000)	
							7,637,334	
							\$ 88,887,334	

**SUPPLEMENTARY SCHEDULES**

**THE BERGEN COUNTY UTILITIES AUTHORITY**

**ROSTER OF OFFICIALS**

**AS OF DECEMBER 31, 2018**

**Authority Board Members**

**Position**

Ronald Phillips	Commissioner –Chairman
Louis J. DeLisio	Commissioner – Vice Chairman
Cathy Bentz	Commissioner
Peter C. Massa, Jr.	Commissioner
Paul A. Juliano	Commissioner
Thomas S. Kelley	Commissioner
Jon Warms	Commissioner
Daniel Gumble	Commissioner
Bruce Bonaventuro	Commissioner

**Authority Executive Staff**

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

**Consultants and Advisors**

Paul Kaufman, Esq.	General Counsel
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**GOVERNMENT AUDITING STANDARDS REPORT AND  
SINGLE AUDIT SECTION  
AND  
GENERAL COMMENTS AND RECOMMENDATIONS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
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## 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, 2018, 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 July 18, 2019.

#### Internal Control over Financial Reporting

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

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

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

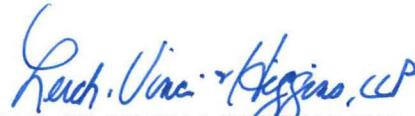
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Bergen County Utilities Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of The Bergen County Utilities Authority in the section of this report of audit entitled "General Comments and Recommendations".

## Purpose of this Report

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



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



Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
July 18, 2019



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
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, 2018. 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 compliance with state statutes, regulations, and the terms and conditions of its federal awards and 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, 2018.

### **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 federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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 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, 2018, 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 July 18, 2019, 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 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  
July 18, 2019

**THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Federal Grant Program</u>	<u>Grant Period</u>	<u>CFDA</u>	<u>State Grant Number</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expenditures</u>
United States Department of Homeland Security										
Homeland Security and Preparedness	2017	97.067	66-1005-008-YYYY	\$ 150,000	\$ 150,000					\$ 150,000
Disaster Grants - Public Assistance	2012	97.036	66-1200-100-A92	4,317,155	-	-			-	4,317,155
Hazard Mitigation Grant Program		97.039		30,120,601	-		\$ 250,557	\$ 250,557		644,151
United States Department of Housing and Urban Development										
Community Development Disaster Recovery Grants - Energy Resilience Bank		14.269		25,075,119	-	-	165,256	165,256	-	523,877
						<u>\$ -</u>	<u>\$ 415,813</u>	<u>\$ 415,813</u>	<u>\$ -</u>	<u>\$ 5,635,183</u>

Note: The above schedule is not subject to Federal Single Audit in accordance with requirements of U.S. Uniform Guidance.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expenditures</u>
New Jersey Department of Environmental Protection									
Solid Waste Administration	SWST-13	1/1/15-12/31/17	\$ 610,500		\$ 87,242		\$ 87,242	-	\$ 610,500
Solid Waste Administration	SWST-14	1/1/16-12/31/18	564,300		564,300		564,300	-	564,300
Solid Waste Administration	SWST-15	1/1/17-12/31/19	738,098		738,098	-	578,031	\$ 160,067	578,031
Solid Waste Administration	SWST-16	1/1/18-12/31/20	752,430	\$ 752,430		752,430.00		752,430	-
Solid Waste Administration	SWST-17	1/1/19-12/31/21	723,766	723,766	-	723,766.00	108,196	615,570	108,196
					<u>\$ 1,389,640</u>	<u>\$ 1,476,196</u>	<u>\$ 1,337,769</u>	<u>\$ 1,528,067</u>	

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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(A) to the Authority's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards 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 prepared and 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 revenues are reported in the Authority's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total Assistance</u>
Solid Waste Management Enterprise Fund		\$ 1,476,196	\$ 1,476,196
Water Pollution Control Enterprise Fund	\$ 415,813	-	415,813
	<u>\$ 415,813</u>	<u>\$ 1,476,196</u>	<u>\$ 1,892,009</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Authority's fiscal year and grant program year.

**NOTE 5 DE MINIMIS INDIRECT COST RATE**

The Authority has not elected to use the 10 percent de minimis indirect cost rate allowed under the U.S. Uniform Guidance.

**THE BERGEN COUNTY UTILITIES AUTHORITY  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 6 STATE LOANS OUTSTANDING**

The Authority's state loans outstanding at December 31, 2018, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

New Jersey Environmental Infrastructure Trust	
Trust Loan, Series 2005	\$ 1,267,608
Fund Loan, Series 2005	1,961,911
Trust Loan, Series 2006	8,597,501
Fund Loan, Series 2006	26,612,150
Trust Loan, Series 2007	211,000
Fund Loan, Series 2007	537,471
Trust Loan, Series 2008	3,468,000
Fund Loan, Series 2008	7,851,548
Trust Loan, Series 2010	895,000
Fund Loan, Series 2010	720,000
Trust Loan, Series 2012	235,000
Fund Loan, Series 2012	591,466
Trust Loan, Series 2016	1,690,000
Fund Loan, Series 2016	<u>3,713,732</u>
Total Loans Payable	<u>\$ 58,352,387</u>

**THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*Part I – Summary of Auditor’s Results*

**Financial Statement Section**

- A) Type of auditors' report issued: Unmodified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? \_\_\_\_\_ yes X no
- 2) Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes X none reported
- C) Noncompliance material to basic financial statements noted? \_\_\_\_\_ yes X no

**Federal Awards Section**

**NOT APPLICABLE**

**State Awards**

Dollar threshold used to distinguish type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes X no

Type of auditors' report issued on compliance for major program: Unmodified

Internal Control over major programs:

- 1) Material weakness (es) identified? \_\_\_\_\_ yes X no
- 2) Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular Letter 15-08? \_\_\_\_\_ yes X no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SWST-13, SWST-14, SWST-15, SWST-17

Solid Waste Administration Grants

**THE BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*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, 2018**

*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, 2018**

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**

**THE BERGEN COUNTY UTILITIES AUTHORITY  
GENERAL COMMENTS AND RECOMMENDATIONS**

**Finding** - Our audit noted the following:

- There was one purchase made during the year through the use of a National Cooperative contract. Purchasing through a National Cooperative contract includes requirements additional to that of purchasing through a State Cooperative contract. The authority did not comply with all the necessary requirements for the use of a National Cooperative contract.
- There were three instances where a competitive contract awarded to a vendor for an amount below the formal bid threshold did not include the vendor's political contribution disclosure form.
- There were instances where the hourly rates billed for certain professional services were not in agreement with the rates specified in the contract.

**Recommendation** - All contract awards and purchases are made in accordance with the New Jersey Local Public Contracts Law.

**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