

**NORTH BERGEN MUNICIPAL
UTILITIES AUTHORITY
(A Component Unit of the Township of North Bergen)
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
North Bergen Municipal Utilities Authority
North Bergen, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the North Bergen Municipal Utilities Authority, a component unit of the Township of North Bergen as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the North Bergen Municipal 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 North Bergen Municipal Utilities Authority as of December 31, 2015 and 2014, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

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

Other Matters

Required Supplementary Information

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


Other Information


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Bergen Municipal 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 May 24, 2016 on our consideration of the North Bergen Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the North Bergen Municipal Utilities Authority's internal control over financial reporting and compliance.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 24, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the North Bergen Municipal Utilities Authority's ("NBMUA" or "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended December 31, 2015. Please read it in conjunction with the Authority's financial statements and accompanying notes.

MAJOR RESPONSIBILITIES

- Operation and maintenance of the waste water system, four pumping stations and forty-two overflow regulators. These facilities maintain all wastewater flows from the Township of North Bergen, the Town of Guttenberg and a small area within Union City, New Jersey.
- Collection, recycling and disposal of solid waste from the residential properties within the Township of North Bergen and the North Bergen Board of Education.

FINANCIAL HIGHLIGHTS

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows at December 31, 2015 by \$36,717,988.
- The Authority's total net position increased \$690,343.
- Cash, Cash Equivalents and Investments increased \$3,482,469.
- Operating Revenues decreased \$291,853.
- Operating Expenses decreased \$42,988.
- The Authority ended the year ended December 31, 2015 with operating income of \$870,759.

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

These statements offer short- and long-term financial information about the activities and operations of the Authority. These statements are presented in the Government Accounting Standards Board ("GASB") prescribed manner. The financial statements also include Notes that explain certain information in the financial statements and provide more detailed data.

The North Bergen Municipal 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 Waste Water and Solid Waste operations.

***NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS***

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position – The following table summarizes the Net Position as of December 31, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 55,983,119	\$ 55,015,017	\$ 53,413,396
Capital Assets (Net of Accumulated Depreciation)	<u>56,875,645</u>	<u>60,550,735</u>	<u>59,788,082</u>
 Total Assets	 <u>112,858,764</u>	 <u>115,565,752</u>	 <u>113,201,478</u>
 Deferred Outflows of Resources	 <u>2,441,996</u>	 <u>1,657,652</u>	 <u>1,368,223</u>
Non-Current Liabilities	70,680,672	73,481,546	74,035,329
Other Liabilities	<u>7,259,205</u>	<u>7,174,055</u>	<u>6,662,791</u>
 Total Liabilities	 <u>77,939,877</u>	 <u>80,655,601</u>	 <u>80,698,120</u>
 Deferred Inflows of Resources	 <u>642,895</u>	 <u>540,158</u>	 <u>-</u>
Net Position			
Net Investment in Capital Assets	12,940,430	12,580,317	12,734,100
Restricted	2,108,988	2,083,140	1,988,520
Unrestricted	<u>21,668,570</u>	<u>21,364,188</u>	<u>19,148,961</u>
 Total Net Position	 <u>\$ 36,717,988</u>	 <u>\$ 36,027,645</u>	 <u>\$ 33,871,581</u>

The Authority's Net Position increased \$690,343 and \$2,156,064 for the years ended December 31, 2015 and 2014. The increase in 2015 is largely attributable to an increase in connection fees and additional appropriation received from the Township of North Bergen. The increase in 2014 is largely attributable to an increase in user and service charges and connection fees charges.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OPERATING ACTIVITIES

The following table summarizes the Revenues, Expenses and Changes in Net Position for the years ended December 31, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES			
User and Service Charges	\$ 14,819,518	\$ 15,287,748	\$ 12,975,850
Interest on Delinquent Accounts	374,336	321,959	337,013
Contribution - Township of North Bergen	<u>6,324,000</u>	<u>6,200,000</u>	<u>5,942,765</u>
Total Operating Revenues	<u>21,517,854</u>	<u>21,809,707</u>	<u>19,255,628</u>
OPERATING EXPENSES			
Administration	2,516,147	2,564,660	2,265,221
Cost of Providing Services	13,928,041	13,804,419	13,368,818
Depreciation	<u>4,202,907</u>	<u>4,321,004</u>	<u>4,537,802</u>
Total Operating Expenses	<u>20,647,095</u>	<u>20,690,083</u>	<u>20,171,841</u>
Operating Income (Loss)	<u>870,759</u>	<u>1,119,624</u>	<u>(916,213)</u>
NON-OPERATING REVENUES (EXPENSES)			
Revenues	1,629,863	3,554,294	995,578
Expenses	<u>(1,810,279)</u>	<u>(2,517,854)</u>	<u>(2,345,545)</u>
Total Non-Operating Income (Expenses)	<u>(180,416)</u>	<u>1,036,440</u>	<u>(1,349,967)</u>
Change in Net Position	690,343	2,156,064	(2,266,180)
Net Position, January 1	36,027,645	33,871,581	45,201,172
Adjustment - Net Pension Liability	<u>-</u>	<u>-</u>	<u>(9,063,411)</u>
Net Position, December 31	<u>\$ 36,717,988</u>	<u>\$ 36,027,645</u>	<u>\$ 33,871,581</u>

Effective for the year ended December 31, 2015, the Authority implemented the new accounting guidance GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". As a result, the financial statements reflect the Authority's proportionate share of the Public Employees Retirement System's net pension liability and related deferred outflows of resources and deferred inflows of resources of this cost-sharing multi-employer defined benefit pension plan sponsored and administered by the State of New Jersey. The effect of implementing GASB Statement No. 68 was a reduction in the Authority's unrestricted net position of \$9,755,779 as of December 31, 2015, \$9,558,539 as of December 31, 2014 and \$9,063,411 as of December 31, 2013.

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING ACTIVITIES (Continued)

Operating revenues decreased \$291,853 from 2014 primarily as a result of a decrease in user and service charges. Revenue from the contribution from the Township increased as did interest on delinquent accounts. Operating income decreased by \$248,865. Operating expenses decreased \$42,988.

Operating income increased \$2,035,837 from 2013 to 2014. Operating expenses increased by \$518,242, while operating revenues increased \$2,554,079. Operating revenues increased with the user/service charges and the contribution from the Township.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the changes in capital assets, net of depreciation, for the year ended December 31, 2015, 2014 and 2013.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Building and Building Improvements	926,626	1,006,731	1,095,778
Sewerage Treatment Plants and Improvements	1,511,910	2,422,337	3,343,403
Pump Stations and Sewer Lines	45,918,103	48,936,074	51,935,663
Vehicles and Equipment	260,963	423,654	634,515
Construction in Progress	<u>5,758,043</u>	<u>5,261,939</u>	<u>278,723</u>
Total	<u>\$ 56,875,645</u>	<u>\$ 60,550,735</u>	<u>\$ 59,788,082</u>

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements.

Capital Debt

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Intergovernmental Loans	\$35,808,968	\$38,596,972	\$38,269,101
Revenue Bonds	19,369,075	21,528,366	23,656,028
Capital Leases	<u>58,439</u>	<u>126,077</u>	<u>245,453</u>
	<u>\$55,236,482</u>	<u>\$60,251,415</u>	<u>\$62,170,582</u>

Additional information on the Authority's capital debt can be found in the Notes to the Financial Statements.

***NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS***

OTHER FINANCIAL INFORMATION

Economic Factors And Next Year's Rates

- Pressure to control escalating cost of employee health insurance, liability and worker's compensation insurance, and the funding of post-retirement benefits.
- Increase in Township contribution for the removal of solid waste due to increasing cost of solid waste disposal.

All of these factors were considered in preparing the Authority's 2016 budget.

The Waste Water quarterly service fees budgeted for 2016 reflects an average increase of 3% over the existing quarterly user rates. The Township contribution for solid waste increased \$176,480 or 3% in 2016. This additional revenue will offset the rising costs of the solid waste disposal fees.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the North Bergen citizens, ratepayers, customers, investors and creditors, with a general overview of the Authority's finances to demonstrate the Authority's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at 6200 Tonnelle Avenue, North Bergen, New Jersey 07047.

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BASIC FINANCIAL STATEMENTS

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
UNRESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents	\$ 39,567,831	\$ 36,651,665
Investments-Forward Delivery Agreement		246,496
User Charges Receivable (Net of Allowance for Doubtful Accounts)	3,402,671	3,304,703
Other Accounts Receivable	<u>118,340</u>	<u>843,890</u>
Total Unrestricted Current Assets	<u>43,088,842</u>	<u>41,046,754</u>
RESTRICTED CURRENT ASSETS		
Revenue Account		
Cash and Cash Equivalents	6,538,761	6,292,102
Bond Reserve Account		
Cash and Cash Equivalents	695,963	496,792
Investments	3,524,701	3,671,166
Renewal and Replacement Account		
Cash and Cash Equivalents	2,108,993	1,988,520
Accrued Interest Receivable	25,859	25,859
Environmental Infrastructure Trust Loan Receivable	<u>-</u>	<u>1,493,824</u>
Total Restricted Current Assets	<u>12,894,277</u>	<u>13,968,263</u>
Total Current Assets	<u>55,983,119</u>	<u>55,015,017</u>
NON-CURRENT ASSETS		
Capital Assets		
Land	2,500,000	2,500,000
Site Improvements	35,875	35,875
Buildings and Building Improvements	2,566,930	2,566,930
Sewerage Treatment Plants and Improvements	27,160,983	27,160,983
Pump Stations and Sewer Lines	73,910,315	73,910,315
Vehicles and Equipment	4,223,291	4,191,578
Construction in Progress	5,758,043	5,261,939
Accumulated Depreciation	<u>(59,279,792)</u>	<u>(55,076,885)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>56,875,645</u>	<u>60,550,735</u>
Total Non-Current Assets	<u>56,875,645</u>	<u>60,550,735</u>
Total Assets	<u>112,858,764</u>	<u>115,565,752</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	1,467,706	444,592
Deferred Amounts on Refunding of Debt	<u>974,290</u>	<u>1,213,060</u>
Total Deferred Outflows of Resources	<u>2,441,996</u>	<u>1,657,652</u>
Total Assets and Deferred Outflows of Resources	<u>115,300,760</u>	<u>117,223,404</u>

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

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES (Payable from Unrestricted Assets)		
Accounts Payable	\$ 926,127	\$ 642,447
Capital Lease Payable	40,980	85,098
Accrued Interest on Bonds, Notes and Loans	211,537	228,180
Unearned Revenue	588,700	626,619
Intergovernmental Loans Payable	<u>2,836,358</u>	<u>2,788,004</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>4,603,702</u>	<u>4,370,348</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Construction Contracts Payable	35,876	231,955
Accrued Interest on Bonds and Notes	19,627	21,752
Revenue Bonds Payable	<u>2,600,000</u>	<u>2,550,000</u>
Total Current Liabilities Payable from Restricted Assets	<u>2,655,503</u>	<u>2,803,707</u>
Total Current Liabilities	<u>7,259,205</u>	<u>7,174,055</u>
NON-CURRENT LIABILITIES		
Accrued Compensated Absences	342,435	311,676
Post Retirement Benefits Payable	9,003,755	7,678,075
Capital Leases Payable	17,459	40,979
Rebatable Arbitrage Payable	310,872	163,300
Net Pension Liability	10,190,313	9,063,879
Revenue Bonds Payable (Net of Unamortized Premium)	17,511,336	20,040,146
Intergovernmental Loans Payable (Net of Unamortized Premium)	<u>33,304,502</u>	<u>36,183,491</u>
Total Non-Current Liabilities	<u>70,680,672</u>	<u>73,481,546</u>
Total Liabilities	<u>77,939,877</u>	<u>80,655,601</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	<u>642,895</u>	<u>540,158</u>
Total Liabilities and Deferred Inflows of Resources	<u>78,582,772</u>	<u>81,195,759</u>
NET POSITION		
Net Investment in Capital Assets	12,940,430	12,580,317
Restricted For:		
Renewals and Replacements	2,108,988	2,083,140
Unrestricted	<u>21,668,570</u>	<u>21,364,188</u>
Total Net Position	<u>\$ 36,717,988</u>	<u>\$ 36,027,645</u>

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

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
User Charges	\$ 14,597,224	\$ 15,070,269
Service Charges	222,294	217,479
Interest on Delinquent Accounts	374,336	321,959
Appropriation - Township of North Bergen	<u>6,324,000</u>	<u>6,200,000</u>
Total Operating Revenues	<u>21,517,854</u>	<u>21,809,707</u>
OPERATING EXPENSES		
Administration		
Salaries and Wages	820,574	791,902
Fringe Benefits	860,588	998,905
Other Expenses	834,985	773,853
Cost of Providing Services		
Salaries and Wages	2,772,421	2,672,701
Fringe Benefits	2,884,404	3,430,106
Other Expenses	8,271,216	7,701,612
Depreciation	<u>4,202,907</u>	<u>4,321,004</u>
Total Operating Expenses	<u>20,647,095</u>	<u>20,690,083</u>
Operating Income	<u>870,759</u>	<u>1,119,624</u>
NON-OPERATING REVENUES (EXPENSES)		
Connection Fees	1,164,378	1,050,112
Interest and Investment Income	47,504	75,281
Grants and Entitlements	62,776	2,062,085
Other Revenues	79,228	42,040
Municipal Appropriation - Debt Service Reimbursement	152,597	158,011
Municipal Contribution	(400,000)	(400,000)
Rebatable Arbitrage Refund		(624,380)
Amortization of Premiums and Deferred Amounts on Refunding of Debt	123,380	166,765
Interest Expense	<u>(1,410,279)</u>	<u>(1,493,474)</u>
Total Non-Operating Revenues (Expenses)	<u>(180,416)</u>	<u>1,036,440</u>
Change in Net Position	690,343	2,156,064
Total Net Position, January 1 (Restated)	<u>36,027,645</u>	<u>33,871,581</u>
Total Net Position, December 31	<u>\$ 36,717,988</u>	<u>\$ 36,027,645</u>

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

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers/Municipality	\$ 21,987,617	\$ 20,334,214
Cash Paid for Goods and Services	(8,813,704)	(8,494,264)
Cash Paid for Employees Salaries, Wages and Benefits	<u>(5,784,308)</u>	<u>(5,814,715)</u>
Net Cash Provided by Operating Activities	<u>7,389,605</u>	<u>6,025,235</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants and Entitlements	182,675	141,326
Municipal Contribution	(400,000)	(400,000)
Connection Fees	1,164,378	1,050,112
Miscellaneous	<u>79,228</u>	<u>42,040</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,026,281</u>	<u>833,478</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Revenue Bonds	(2,550,000)	(2,500,000)
Principal Payments on Intergovernmental Loans	(2,788,004)	(2,586,904)
Principal Payments on Capital Leases	(67,638)	(119,376)
Proceeds of Intergovernmental Loans	1,493,824	4,397,173
Municipal Appropriation - Debt Service Reimbursement	152,597	158,011
Interest Paid	(1,038,337)	(1,127,052)
Acquisition of Capital Assets	<u>(723,896)</u>	<u>(4,813,545)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(5,521,454)</u>	<u>(6,591,693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	328,037	207,863
Rebatable Arbitrage Refund		(624,380)
Proceeds from Forward Delivery Agreement	<u>260,000</u>	<u>2,300,000</u>
Net Cash Provided by Investing Activities	<u>588,037</u>	<u>1,883,483</u>
Net Increase in Cash and Cash Equivalents	3,482,469	2,150,503
Cash and Cash Equivalents, January 1	<u>45,429,079</u>	<u>43,278,576</u>
Cash and Cash Equivalents, December 31	<u>\$ 48,911,548</u>	<u>\$ 45,429,079</u>
Analysis of Cash and Cash Equivalents, December 31,		
Unrestricted	\$ 39,567,831	\$ 36,651,665
Restricted	<u>9,343,717</u>	<u>8,777,414</u>
	<u>\$ 48,911,548</u>	<u>\$ 45,429,079</u>

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

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 870,759	\$ 1,119,624
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	4,202,907	4,321,004
(Increase)/Decrease in User Charges Receivable	(97,968)	(907,047)
(Increase)/Decrease in Other Accounts Receivable	567,731	(568,446)
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net Pension Liability	(1,023,114)	(444,592)
Increase/(Decrease) in Accounts Payable	283,680	380,295
Increase/(Decrease) in Accrued Salaries and Wages		(143,473)
Increase/(Decrease) in Accrued Compensated Absences	30,759	(7,709)
Increase/(Decrease) in Post Retirement Benefits Payable	1,325,680	1,734,953
Increase/(Decrease) in Net Pension Liability	1,126,434	468
Increase/(Decrease) in Deferred Inflows - Deferred Amounts on Net Pension Liability	102,737	540,158
Total Adjustments	<u>6,518,846</u>	<u>4,905,611</u>
Net Cash Provided by Operating Activities	<u>\$ 7,389,605</u>	<u>\$ 6,025,235</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of Bond Premium	\$ (319,519)	\$ (369,257)
Amortization of Loan Premium	(42,631)	(50,827)
Deferred Amounts on Refunding of Debt	238,770	238,770
Capital Assets on Account	35,876	231,955
Capitalized Interest and Costs of Issuance on Loan		88,020
Interest Expense/Accreted Value of Capital Appreciation Revenue Bonds	390,709	(372,338)

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF PLAN NET POSITION
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Investments	\$ -	\$ -
Total Assets	-	-
NET POSITION		
Assets Held in Trust for Other Post-Employment Benefits	\$ -	\$ -

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CHANGES IN PLAN NET POSITION
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ADDITIONS		
Contributions		
Employer	\$ 504,714	\$ 399,360
Total Additions	<u>504,714</u>	<u>399,360</u>
DEDUCTIONS		
Benefits	<u>504,714</u>	<u>399,360</u>
Total Deductions	<u>504,714</u>	<u>399,360</u>
Change in Plan Assets	<u>-</u>	<u>-</u>
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS		
Net Position, January 1	<u>-</u>	<u>-</u>
Net Position, December 31	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North Bergen Municipal Utilities Authority (the "Authority"), a public body corporate and politic of the State, was created pursuant to the Municipal and County Utilities Authorities Law (the "Act") by virtue of an ordinance duly adopted on October 15, 1981 by the Board of Commissioners of the Township of North Bergen (the "Township").

Under provisions of the Service Agreement (Note 11), the Authority is responsible for the operation and maintenance of the waste water system which includes pumping stations, overflow regulators and the Woodcliff Treatment Plant. These facilities handle all waste water flows from the Township, the Town of Guttenberg (the "Town") and from a small area within Union City, New Jersey. Additionally, the Authority is responsible for the collection, recycling and disposal of solid waste from the residential properties within the Township.

Under terms of the Service Agreement, the Authority charges the users of the waste water system directly, in both the Township and the Town, for the annual operating expenses of the system, including debt service and related reserve and rate coverage requirements. The charges are based on the character and volume of discharge from each user.

The Authority 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 bill 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 five members each of whom is appointed by the Mayor and Commissioners of the Township of North Bergen, for a staggered term of five years. Upon expiration of a member's term, such member continues to serve until a successor has been appointed and qualified. An Executive Director is appointed by the Board and functions as Chief Executive Officer responsible for the daily operations of the Authority. A Chief Financial Officer is appointed by the Board and oversees the fiscal affairs of the Authority.

Government Accounting Standards Board (the "GASB") requires the financial reporting entity to include both the primary government and those component units. 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 such criteria, the Authority has no component units; however, the Authority is considered a component unit of the Township of North Bergen.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards

The Authority has adopted the following GASB statement:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.
- GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

C. Basis of Presentation - Financial Statements

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounting records that comprise its assets, deferred outflows, liabilities, net position, revenues and expenses. Authority 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 various activities are grouped into one generic fund and one broad fund category, as follows:

The Authority reports the following major proprietary fund:

Enterprise Funds - The Enterprise Funds are used to account for authority operations which are financed and operated in a manner similar to private enterprises, where the intent of the Authority 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.

Additionally, the Authority also reports the following fund type:

Fiduciary Trust Fund – The Post-Employment Benefits Trust Fund is used to account for the Authority’s post retirement benefits funding requirements in accordance with GASB Statement No. 45.

Reclassifications

Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 presentation.

D. Measurement Focus and Basis of Accounting

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

The Authority’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations (with the exception of the Fiduciary Fund) 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

The Authority's financial 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 are charges to customers for sewer services and an assessment to the Township for solid waste services. Operating expenses for the 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.

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

E. Assets, Liabilities, Deferred Outflows 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 market value and except for the Operating Accounts are limited by the 1989 Bond Resolution as amended and supplemented thereto. Operating account investments are limited by NJSA 40A:5-15.1 et. seq. See Note 4 for specific disclosures on cash deposits and investments.

2. Inventory

The costs of inventories are deemed immaterial and are recognized as expenses when purchased. The Authority does not record inventory on its Statement of Net Position.

3. 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Interfunds Receivable and Payable

During the course of its operations, the Authority has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have not been recorded.

5. Restricted Assets

Certain assets are classified as restricted on the statement of net assets because they are maintained in separate bank accounts and their use is limited by the 1989 Bond Resolution as amended and supplemented thereto.

6. Capital Assets

All capital assets acquired or constructed by the Authority are reported as expenses in the account that finances the acquisition of the assets and are capitalized in the Operating Accounts. Capital assets are defined by the Authority as assets with an individual cost of \$2,000 prior to January 1, 2011 and \$5,000 subsequent to January 1, 2011 and an estimated useful life of at least two years. The costs 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 work in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives.

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

<u>Class</u>	<u>Life</u>
Site Improvements	5-10 Years
Building and Building Improvements	5-30 Years
Sewerage Treatment Plant and Improvements	10-25 Years
Pump Station and Sewer Lines	10-40 Years
Vehicles and Equipment	5-10 Years

7. Deferred Outflows/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 future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority only has two items that qualify for reporting in this category. One item is the deferred amounts on refunding of debt reported in the Statement of Net Position. A deferred amount on refunding of debt 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 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Deferred Outflows/Inflows of Resources (Continued)*

In addition to liabilities, the Statement of Net Position has reported 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 one item that qualifies for reporting in this category. It 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; 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 earned 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. Unused sick time shall be paid to employees at 50% of its accumulation cost up to a maximum of \$15,000.

Vacation time shall only be carried over to the succeeding year with approval of the Department Supervisor and/or Executive Director. Non-union employees with accumulating time exceeding one full year vacation may be compensated monetarily at the rate of pay when earned for up to ten days. Any other days in excess of one year will be forfeited.

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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable 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. Bond premiums and discounts are deferred and amortized over the life of the bonds. Losses are reported as deferred outflows of resources. Bond premiums 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgets and Budgetary Accounting

The Authority annually prepares operating budgets for its Waste Water and Solid Waste Systems. The budgets are prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Budgetary control is exercised within the respective system. Unexpended appropriations lapse at year end.

The annual budgets are approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority Regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six year capital budgets are also prepared for each system. Included within the budgets are individual projects along with their estimated cost, completion date and source of funding.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. Budgets and Budgetary Accounting (Continued)

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 or rendered, 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 water consumption and include a minimum usage charge. Revenue is recognized in the year when the Authority bills the user.

Solid waste fees are remitted by the Township of North Bergen to the Authority through an appropriation provided for in the Township's annual budget. 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 designate net position to establish designations of unrestricted net position to meet policy adopted by the Board. The Authority established the following unrestricted net position designations:

Designation for Subsequent Year's Budget – This designation in the amount of \$2,105,571 and \$2,251,551 at December 31, 2015 and 2014, respectively was established to designate the portion of the unrestricted net position utilized to balance the subsequent year's budgets.

Designated for Future Capital Projects – This designation was established to designate the Forward Delivery Agreement Investment principal and income for the purpose of funding future debt service requirements for the sanitary sewerage plant expansion and system improvements.

At December 31, 2015 and 2014 the unrestricted net position balances were as follows:

	<u>2015</u>	<u>2014</u>
Designated for Subsequent Year's Budget	\$ 2,105,571	\$ 2,251,551
Designated for Future Capital Projects		246,496
Undesignated	<u>19,562,999</u>	<u>18,866,141</u>
	<u>\$ 21,668,570</u>	<u>\$ 21,364,188</u>

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

NOTE 3 CREATION OF FUNDS

Under the original Bond Resolution dated January 12, 1989 and amended and supplemented at various times, the following funds are required to be created and held by the Authority's Trustee:

- A) Operating Fund (Unrestricted)
- B) Revenue Fund (Restricted)
- C) Bond Service Fund (Restricted)
- D) Bond Reserve Fund (Restricted)
- E) Renewal and Replacement Fund (Restricted)
- F) Construction Fund (Restricted)
- G) Sinking Fund (Restricted)
- H) General Fund (Unrestricted)
- I) Rebate Fund (Restricted)

Each of the funds represents separate accounts held by a trustee, except for the Operating Accounts which are held by the Authority.

Only those funds and accounts that are presently required by the Trustee are described herein.

Operating Fund - To account for the payment of all operating costs of the Authority for the current month.

Revenue Fund - To account for all revenues received by the Authority. All revenues deposited into the Revenue Fund are transferred by the Trustee on the first business day of each month to the following funds described below.

Bond Service Fund - To account for the accumulation of resources for the payment of principal and interest due during the current fiscal year on outstanding bonds.

Bond Reserve Fund - To account for funds held in accordance with the Bond Resolution to meet the Bond Reserve requirement, an amount which is equal to the maximum annual debt service on outstanding bonds.

Renewal and Replacement Fund - To account for the accumulation of resources to meet the renewal and replacement reserve requirement, an amount equal to twenty percent (20%) of the operating expenses of the Authority. The Trustee can withdraw from this fund, upon a certification of the consulting engineer, for the use of reasonable and necessary expenses of the Authority with respect to major repairs, renewals, replacements or maintenance items of a type not recurring annually.

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 system. 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.

Sinking Fund - To account for the accumulation of resources required to pay principal on all term bonds in accordance with the Sinking Fund requirements.

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.

Rebate Fund - 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.

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

NOTE 4 CASH DEPOSITS AND INVESTMENTS

Cash Deposits - The Authority's cash deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances at December 31, 2015 and 2014 are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Authority's deposits were \$48,911,548 and \$45,429,079, respectively, and bank balances of the Authority's cash deposits amounted to \$49,059,626 and \$45,041,235, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

	<u>2015</u>	<u>2014</u>
Insured		
Restricted	\$ 9,346,081	\$ 8,179,074
Unrestricted	31,949,490	29,106,012
Uninsured and Collateralized		
Unrestricted	<u>7,764,055</u>	<u>7,756,149</u>
	<u>\$ 49,059,626</u>	<u>\$ 45,041,235</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2015 and 2014, the Authority's bank balance of \$7,764,055 and \$7,756,149 was exposed to custodial credit risk as follows:

	<u>2015</u>	<u>2014</u>
Uninsured and collateral held by pledging bank's trust department, in the Authority's name	<u>\$7,764,055</u>	<u>\$7,756,149</u>

Investments – The Authority is required by its Bond Resolutions to maintain each of its investments in the Fund (account) in which the investment is purchased. In all accounts, except the operating account, 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 investments are regulated by the 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.

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Authority is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Township or bonds or other obligations of the school districts which are a part of the Township or school districts located within the Township, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2015 and 2014, the Authority had the following investments:

	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
Restricted		
U.S. Government Securities		
Treasury Bonds	\$ 3,524,701	\$ 3,671,166
Unrestricted		
Forward Delivery Agreement	-	246,496
	<u>\$ 3,524,701</u>	<u>\$ 3,917,662</u>

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

The fair value of the above-listed investments were based on quoted market prices or in the case of the Forward Delivery Agreement the net present value of future cash flows (i.e., withdrawal amounts).

On March 8, 2001, the Authority entered into a Revenue Fund Forward Delivery Agreement with U.S. Bank (previously Wachovia Bank and First Union National Bank, the Trustee). Under the terms of the agreement, the Authority invested \$14,000,000 with the Trustee, for the purpose of accruing investment income which will fund future debt service requirements for Authority plant expansions. The Authority withdraw commencing December 15, 2005 through 2014, \$2.3 million annually and \$260,000 on December 15, 2015 to fund a portion of the annual Authority debt.

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 as follows:

- The “Revenue Fund” account reserves all revenues received for future distribution to the various accounts of the Authority in accordance with the Bond Resolution.
- The “Construction Fund” account segregates cash and investments that are restricted for use in construction.

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

NOTE 5 RESTRICTED ASSETS (Continued)

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

NOTE 6 USER CHARGES RECEIVABLE

Sewer user charges receivable at December 31, 2015 and 2014, including the applicable allowance for doubtful accounts, consisted of the following:

	<u>2015</u>	<u>2014</u>
Gross User Charges Receivable	\$ 3,723,250	\$ 3,573,731
Less: Allowance for Doubtful Accounts	<u>(320,579)</u>	<u>(269,028)</u>
Net User Charges Receivable	<u>\$ 3,402,671</u>	<u>\$ 3,304,703</u>

NOTE 7 UNEARNED REVENUE

Unearned revenue is reported in connection with resources that have been received, but not yet earned. At December 31, 2015 and 2014 the following was reported as unearned revenue:

	<u>2015</u>	<u>2014</u>
Solid Waste Recycling Grant	\$ 488,778	\$ 368,878
Waste Water Connection Fees	<u>99,922</u>	<u>257,741</u>
Total Unearned Revenue	<u>\$ 588,700</u>	<u>\$ 626,619</u>

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

NOTE 8 CAPITAL ASSETS

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

	Balance January 1, 2015	Increases	Decreases	Balance, December 31, 2015
Capital Assets, Not Being Depreciated				
Land	\$ 2,500,000			\$ 2,500,000
Construction in Progress	5,261,939	\$ 496,104	\$ -	5,758,043
Total Capital Assets, Not Being Depreciated	7,761,939	496,104	-	8,258,043
Capital Assets, Being Depreciated				
Site Improvements	35,875			35,875
Buildings and Building Improvements	2,566,930			2,566,930
Sewerage Treatment Plants and Improvements	27,160,983			27,160,983
Pump Stations and Sewer Lines	73,910,315			73,910,315
Vehicles and Equipment	4,191,578	31,713	-	4,223,291
Total Capital Assets Being Depreciated	107,865,681	31,713	-	107,897,394
Less Accumulated Depreciation for				
Site Improvements	(35,875)			(35,875)
Building and Building Improvements	(1,560,199)	(80,105)		(1,640,304)
Sewerage Treatment Plants and Improvements	(24,738,646)	(910,427)		(25,649,073)
Pump Stations and Sewer Lines	(24,974,241)	(3,017,971)		(27,992,212)
Vehicles and Equipment	(3,767,924)	(194,404)	-	(3,962,328)
Total Accumulated Depreciation	(55,076,885)	(4,202,907)	-	(59,279,792)
Total Capital Assets, Being Depreciated, Net	52,788,796	(4,171,194)	-	48,617,602
Total Capital Assets, Net	\$ 60,550,735	\$ (3,675,090)	\$ -	\$ 56,875,645

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

NOTE 8 CAPITAL ASSETS (Continued)

	Balance January 1, 2014	Increases	Decreases	Balance, December 31, 2014
Capital Assets, Not Being Depreciated				
Land	\$ 2,500,000			\$ 2,500,000
Construction in Progress	278,723	\$ 5,050,217	\$ 67,001	5,261,939
Total Capital Assets, Not Being Depreciated	2,778,723	5,050,217	67,001	7,761,939
Capital Assets, Being Depreciated				
Site Improvements	35,875			35,875
Buildings and Building Improvements	2,566,930			2,566,930
Sewerage Treatment Plants and Improvements	27,160,983			27,160,983
Pump Stations and Sewer Lines	73,843,314	67,001		73,910,315
Vehicles and Equipment	4,158,138	33,440	-	4,191,578
Total Capital Assets Being Depreciated	107,765,240	100,441	-	107,865,681
Less Accumulated Depreciation for				
Site Improvements	(35,875)			(35,875)
Building and Building Improvements	(1,471,152)	(89,047)		(1,560,199)
Sewerage Treatment Plants and Improvements	(23,817,580)	(921,066)		(24,738,646)
Pump Stations and Sewer Lines	(21,907,651)	(3,066,590)		(24,974,241)
Vehicles and Equipment	(3,523,623)	(244,301)	-	(3,767,924)
Total Accumulated Depreciation	(50,755,881)	(4,321,004)	-	(55,076,885)
Total Capital Assets, Being Depreciated, Net	57,009,359	(4,220,563)	-	52,788,796
Total Capital Assets, Net	\$ 59,788,082	\$ 829,654	\$ 67,001	\$ 60,550,735

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

NOTE 9 LONG-TERM LIABILITIES

Revenue Bonds

The Authority issued revenue bonds whereby the Authority pledges income from operations to retire the debt service.

On October 15, 2003, the Authority issued \$33,760,000 Sewer Revenue Refunding Bonds, Series 2003 (the "2003 Sewer Refunding Bonds"). The 2003 bonds were issued to (1) currently refund a portion of the Authority's outstanding 1993 bonds, (2) satisfy the Bond Reserve Fund Requirement and (3) pay the costs and expenses associated with the issuance of the 2003 bonds. On October 15, 2013, the Authority issued \$16,120,000 Sewer Revenue Refunding Bonds, Series 2013 (the "2013 Sewer Refunding Bonds"). The 2013 bonds were issued to (1) currently refund the Authority's outstanding 2003 bonds and (2) pay the costs and expenses associated with the issuance of the 2013 bonds.

On December 27, 2007 the Authority issued \$5,676,013 Sewer Revenue Subordinated Capital Appreciation Bonds, Series 2007 (the "2007 Bonds"). The 2007 bonds were issued to provide funds which will be used to (i) fund certain projects of the Authority; and (ii) to pay the costs and expenses associated with the issuance of the 2007 bonds.

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

	<u>2015</u>	<u>2014</u>
Waste Water System Revenue Bonds, Refunding Series 2013		
Revenue Serial Bonds Payable 4.00% to 5.00% due December 15, 2019	\$ 11,045,000	\$ 13,595,000
Sewer Revenue Subordinated Capital Appreciation Bonds, Series 2007		
Capital Appreciation Bonds Payable Due December 15, 2020 to		
December 15, 2034 (Includes Accretion of \$2,648,062 and \$2,257,353		
through December 31, 2015 and 2014, respectively).	<u>8,324,075</u>	<u>7,933,366</u>
Total	<u>\$ 19,369,075</u>	<u>\$ 21,528,366</u>

Intergovernmental Loans Payable – The Authority has entered into loan agreements with the New Jersey Environmental Infrastructure Trust and the Township to provide funds for the construction and improvements to the sanitary sewerage system plants, pump stations, sewer lines, and the construction of the solid waste system maintenance facility. The Authority has pledged income from operations to retire the debt service.

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

NOTE 9 LONG-TERM LIABILITIES (Continued)

Loans payable at December 31, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
New Jersey Infrastructure Trust		
1998 Trust Loan Payable - Waste Water System		
4.50% due in annual installments on August 1 through 2018	\$ 415,000	\$ 540,000
1999 Trust Loan Payable - Waste Water System		
5.50% to 5.70% due in annual installments on August 1 through 2019	60,000	70,000
2007 Trust Loan Payable - Waste Water System		
3.40% to 5.00% due in annual installments on August 1 through 2027	7,580,000	8,040,000
2010 Trust Loan Payable - Waste Water System		
3.50% to 5.00% due in annual installments on August 1 through 2029	1,055,000	1,150,000
2013 Trust Loan Payable - Waste Water System		
1.17% to 3.18% due in annual installments on August 1 through 2032	670,000	700,000
2014 Trust Loan Payable - Waste Water System		
3.00% to 5.00% due in annual installments on August 1 through 2033	1,365,000	1,415,000
1998 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2018	288,065	383,000
1999 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2019	39,587	47,507
2007 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2027	18,139,645	19,646,965
2010 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2029	1,699,294	1,820,673
2013 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2032	2,040,000	2,160,000
2014 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2033	<u>2,193,477</u>	<u>2,314,776</u>
	35,545,068	38,287,921
Township of North Bergen		
Loan Payable - Solid Waste System		
5.25% due in annual installments on June 1 through 2020	<u>263,900</u>	<u>309,051</u>
Total	<u>\$ 35,808,968</u>	<u>\$ 38,596,972</u>

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

NOTE 9 LONG-TERM LIABILITIES (Continued)

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

<u>Year Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 2,600,000	\$ 471,050	\$ 2,836,358	\$ 502,153	\$ 6,409,561
2017	2,710,000	367,050	2,887,348	461,033	6,425,431
2018	2,810,000	258,650	2,922,729	416,582	6,407,961
2019	2,925,000	146,250	2,715,432	370,238	6,156,920
2020	895,000		2,733,951	335,275	3,964,226
2021-2025	4,805,000		13,768,723	1,091,063	19,664,786
2026-2030	5,005,000		6,935,425	223,575	12,164,000
2031-2034	<u>4,000,000</u>	<u>-</u>	<u>1,009,002</u>	<u>23,350</u>	<u>5,032,352</u>
	25,750,000	<u>\$ 1,243,000</u>	<u>\$ 35,808,968</u>	<u>\$ 3,423,269</u>	<u>\$ 66,225,237</u>
Less: Unaccrued Value of Capital Appreciation Revenue Bonds at December 31, 2015	<u>6,380,925</u>				
	<u>\$ 19,369,075</u>				

Capital Lease - In 2010, the Authority entered into an agreement for the lease of two (2) sanitation trucks. In 2012, the Authority entered into an agreement for the lease of another sanitation truck. The capital lease agreements are for a term of 5 years. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at December 31, 2015.

<u>Year Ended</u>	<u>Amount</u>
2016	\$ 42,231
2017	<u>17,596</u>
Total Minimum Lease Payments	59,827
Less: Amounts Representing Interest	<u>(1,388)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 58,439</u>

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

NOTE 9 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

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

	Balance, January 1, 2015	Additions	Reductions	Balance, December 31, 2015	Due Within One Year
Revenue Bonds	\$ 21,528,366	\$ 390,709	\$ 2,550,000	\$ 19,369,075	\$ 2,600,000
Issuance Premium	1,061,780	-	319,519	742,261	-
Total Revenue Bonds Payable	22,590,146	390,709	2,869,519	20,111,336	2,600,000
Intergovernmental Loans Payable	38,596,972		2,788,004	35,808,968	2,836,358
Issuance Premium	374,523	-	42,631	331,892	-
Total Intergovernmental Loans Payable	38,971,495	-	2,830,635	36,140,860	2,836,358
Capital Leases Payable	126,077		67,638	58,439	40,980
Compensated Absences	311,676	30,759		342,435	
Post Retirement Benefits Payable	7,678,075	1,325,680		9,003,755	
Net Pension Liability	9,063,879	1,126,434	-	10,190,313	-
	\$ 78,741,348	\$ 2,873,582	\$ 5,767,792	\$ 75,847,138	\$ 5,477,338
	Balance, January 1, 2014 (Restated)	Additions	Reductions	Balance, December 31, 2014	Due Within One Year
Revenue Bonds	\$ 23,656,028	\$ 372,338	\$ 2,500,000	\$ 21,528,366	\$ 2,550,000
Issuance Premium	1,431,037	-	369,257	1,061,780	-
Total Revenue Bonds Payable	25,087,065	372,338	2,869,257	22,590,146	2,550,000
Intergovernmental Loans Payable	38,269,101	3,729,775	3,401,904 *	38,596,972	2,788,004
Issuance Premium	314,072	111,278	50,827 *	374,523	-
Total Intergovernmental Loans Payable	38,583,173	3,841,053	3,452,731	38,971,495	2,788,004
Capital Leases Payable	245,453		119,376	126,077	85,098
Compensated Absences	319,385		7,709	311,676	
Post Retirement Benefits Payable	5,943,122	2,134,313	399,360	7,678,075	
Net Pension Liability	9,063,411	96,034	95,566	9,063,879	-
	\$ 79,241,609	\$ 6,443,738	\$ 6,943,999	\$ 78,741,348	\$ 5,423,102

* Includes adjustment to 2010 loans of \$815,000 and write off of issuance premium amortization of \$14,549, due to State of New Jersey refunding.

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

NOTE 9 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities (Continued)

Previously as noted, the principal amount of bonds outstanding at December 31, 2015 and 2014 of \$19,369,075 and \$21,528,366, respectively, have been increased by the unamortized bond premium on the 2013 refunding bonds in the amounts of \$742,261 and \$1,061,780. Also, the principal amount of Intergovernmental Loans outstanding at December 31, 2015 and 2014 have been increased by the unamortized bond premium on the 2009, 2012 and 2013 Environmental Infrastructure Loans in the amounts of \$331,892 and \$374,523.

NOTE 10 CONSTRUCTION AND SIGNIFICANT COMMITMENTS

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

	<u>2015</u>	<u>2014</u>
Woodcliff Treatment Plant Rehabilitation	\$ <u>35,876</u>	\$ <u>231,955</u>

NOTE 11 SERVICE AGREEMENT

The Authority, the Township of North Bergen, and the Town of Guttenberg have entered into a Service Agreement in order to provide additional security to the holders of the debt obligations of the Authority issued in connection with the Waste Water System. Pursuant to the terms of the Service Agreement, the Township and the Town have severally agreed to make up deficiencies, if any, in revenues of the Authority so that the Authority will have sufficient funds to pay its operating and administrative costs, and debt service on "bonds" (as such term is defined in the Service Agreement). The Service Agreement will remain in full force and effect as long as any obligations of the Authority that are entitled to the benefits thereof shall remain outstanding.

The Authority shall, in any fiscal year that the Authority estimates that the amount of revenues received from operation of the Waste Water System will be insufficient to satisfy all of its costs and expenses related thereto, impose and collect annual charges, as such term is defined in the Service Agreement (the "Annual Charges"), from the Township and the Town, as applicable. Such Annual Charges shall be an amount which is sufficient to provide for (after taking into account all other moneys of the Authority) deficiencies in funds of the Authority which are needed to pay for the Authority's expenses of (1) construction, acquisition, operation and maintenance of the Waste Water System, and the principal of and the interest on "all bonds" as such term is defined in the Service Agreement, as the same become due, (2) maintenance of reserves or sinking funds as may be required by the terms of any contract of the Authority or any bond resolution, or as may be deemed to be necessary or desirable by the Authority, (3) complying with the terms of any bond resolution and with the Act, and (4) making payments which are required by the terms of any contract or agreement executed by the Authority with respect to the Waste Water System.

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

NOTE 11 SERVICE AGREEMENT (Continued)

The Annual Charges, if any, which are charged and which are payable by the Township and the Town under the terms of the Service Agreement will constitute the valid, binding, direct and general obligations of the Township and the Town, as applicable, and will be payable out of the first funds becoming legally available for such purpose. The obligation of the Town is limited to an amount representing the deficiencies in revenues with respect to the Woodcliff Plant Service Area.

The Authority covenants to repay all Annual Charges paid by the Township and the Town without interest out of the surplus revenues of the Authority. Should the Township or the Town be obligated to pay supplemental Annual Charges due to the collection of inadequate user charges or other fees by the Authority, and then the Authority shall credit the difference against the amount of the next payment due in the succeeding Fiscal Year. As of the date of this audit, neither the Township nor the Town has been required to pay an annual charge to the Authority under the Service Agreement.

The Authority and the Jersey City Municipal Utilities Authority ("JCMUA") have undertaken certain construction projects in furtherance of their agreement entitled Interlocal Sewer Connection and Service Agreement. The JCMUA realigned the Northwest interceptor in the vicinity of Manhattan Avenue through its license agreement with Norfolk Southern Railroad and the NBMUA constructed a sewer line in the vicinity of Manhattan Avenue to facilitate delivery of sewage to the JCMUA sewage system and in turn to the PVSC treatment plant.

The design and construction of the project was the responsibility of the JCMUA. The project was funded by an NJEIT loan awarded to the JCMUA. The NBMUA is responsible for paying its pro-rata share of the semi-annual debt service loan repayments.

The annual debt service loan repayments are as follows:

<u>Year</u>	<u>Annual Debt Service Repayment</u>
2016	\$ 145,254
2017	143,750
2018	144,844
2019	145,665
2020	144,461
2021-2025	730,429
2026-2027	<u>291,384</u>
Total	<u>\$ 1,745,787</u>

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

NOTE 12 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS

The Authority's waste water bond covenants require certain restricted funds to be on deposit at year-end. The balances required to be on deposit as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>December 31,</u> <u>2014</u>
<u>Bond Reserve Fund</u>		
Required Balances	\$ 3,077,050	\$ 3,077,050
Cash and Investments	<u>4,220,664</u>	<u>4,167,958</u>
Excess	<u>\$ 1,143,614</u>	<u>\$ 1,090,908</u>
<u>Renewal and Replacement Fund</u>		
Required Balances	\$ 2,108,988	\$ 2,083,140
Cash and Investments	<u>2,108,993</u>	<u>1,988,520</u>
Excess (Deficiency)	<u>\$ 5</u>	<u>\$ (94,620)</u>

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. 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.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and if applicable, 25 years for post-retirement health care coverage. PERS is a cost-sharing multi-employer defined benefit 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 is funded directly by the system but is currently suspended as a result of reform legislation.

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

A. Employee Retirement Systems (Continued)

Other Pension Funds (Continued)

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

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

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

Funded Status and Funding Progress

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

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

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

A. Employee Retirement Systems (Continued)

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the date of the most recent actuarial valuations, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for PERS; and (b) changes to projected salary increases of 2.15-5.40 percent based on age for PERS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the PERS retirement system requires employee contributions based on 6.92 for fiscal year 2015 for PERS of employee's annual compensation.

Annual Pension Cost (APC)

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

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

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>
2015	\$ 390,277
2014	399,094
2013	357,320

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

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Authority had a liability of \$10,190,313 and \$9,063,879, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Authority's proportionate share was .022 percent, which was a decrease of .001 percent from its proportionate share measured as of June 30, 2014 of .023 percent.

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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)

For the year ended December 31, 2015 and 2014, the pension system has determined the Authority's pension expense to be \$597,626 and \$497,336, respectively, for PERS based on the actuarial valuation which is more than the actual contribution made by the Authority of \$390,277 and \$399,094, respectively. At December 31, 2015 and 2014, the Authority's deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 243,105			
Changes of Assumptions	1,094,358		\$ 285,017	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 163,841		\$ 540,158
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>130,243</u>	<u>479,054</u>	<u>159,575</u>	<u>-</u>
Total	<u>\$ 1,467,706</u>	<u>\$ 642,895</u>	<u>\$ 444,592</u>	<u>\$ 540,158</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 139,588
2017	139,588
2018	139,588
2019	274,627
2020	<u>131,420</u>
	<u>\$ 824,811</u>

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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)

Actuarial Assumptions

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

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

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

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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, 2015 and 2014 are summarized in the following table:

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

Discount Rate

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

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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:

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Authority's Proportionate Share of the PERS Net Pension Liability	<u>\$ 12,665,312</u>	<u>\$ 10,190,313</u>	<u>\$ 8,115,292</u>

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

Pension Plan Fiduciary Net Position

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

B. Post Retirement Medical Benefits

Plan Description

The Authority provides a post employment healthcare plan for its eligible retirees and their dependents (as defined by the Authority). The plan is a single-employer defined benefit healthcare plan administered by Horizon Blue Cross Blue Shield. In accordance with Authority resolution, the Authority provides payment of the entire cost of coverage for its employees and their dependents: (a) who have retired on a disability pension; (b) who have retired after 25 years or more of service credit in the Public Employees Retirement System and at least 10 years of service with the Authority; (c) who have retired and reached the age of 62 years or older with at least 15 years of service with the Authority. The coverage shall mirror the coverage provided for active employees. For purposes of establishing years of service with the Authority for this resolution only, any Authority employee who has previously worked for the Township of North Bergen, the years of service with the Township shall be credited to his/her years of service with the Authority. As specified above, "dependents" shall mean an employee's spouse and the employee's unmarried children, including stepchildren, and legally adopted children, under the age of 23 who live with the employees in a regular parent-child relationship, and depend on the employee for maintenance and support. Medical coverage shall only apply to those employees employed by the Authority on January 1, 2002 and who have retired thereafter from the Authority; this resolution is not retroactive. Once the retiree becomes eligible to receive benefits pursuant to Medicare, the health benefits conferred by this resolution shall become secondary to those benefits provided to the retiree under Medicare. The benefits conferred by this resolution shall be secondary to any other health benefits or coverage available to the retiree and/or their dependents from other sources.

Funding Policy

The required contribution is funded on a pay-as-you-go basis. For the years 2015, 2014 and 2013, the Authority contributed \$504,714, \$399,360, and \$292,668, to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the plan.

Annual Required Contribution	\$ 1,403,234
Interest on Net OPEB Obligation	307,123
Adjustment to Annual Required Contribution	120,037
Annual OPEB Cost (Expense)	1,830,394
Contributions Made	(504,714)
Increase in Net OPEB Obligation	1,325,680
Net OPEB Obligation, January 1, 2015	7,678,075
Net OPEB Obligation, December 31, 2015	<u>\$ 9,003,755</u>

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

B. Post Retirement Medical Benefits (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2015, 2014 and 2013 were as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2015	\$ 1,830,394	27.6%	\$ 9,003,755
2014	2,134,313	18.7%	7,678,075
2013	1,417,881	20.6%	5,943,122

Funded Status and Funding Progress

As of December 31, 2015 and 2014, the plan was unfunded. The accrued liability for benefits was \$26,499,826 and \$24,924,852, respectively. The Authority has no plan assets resulting in an unfunded accrued liability (UAAL). The covered payroll (annual payroll of active employees covered by the plan) was \$3,019,671 and \$3,002,455, and the ratio of the UAAL to the covered payroll was 8.78 and 8.30%.

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

Actuarial Methods and Assumptions

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

In the December 31, 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by 1% decrements to an ultimate rate of 5 percent after four years. The UAAL is being amortized as a level dollar amount on a 30 year open basis. The remaining amortization period at December 31, 2015 was 22 years.

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

NOTE 14 OTHER INFORMATION

A. 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 Authority's Attorney the potential claims against the Authority not covered by insurance policies would not materially affect the financial condition of the Authority.

In addition, the Authority participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of December 31, 2015 and 2014, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Authority believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Authority.

B. 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 has obtained insurance coverage to guard against these events which will provide minimum exposure to the Authority should they occur.

The Authority is a member of the New Jersey Utilities Authority Joint Insurance Fund (NJUAJIF). The joint insurance fund is both an insured and self-administered group of authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Fund is a risk-sharing public entity pool. The NJUAJIF coverage amounts are on file with the Authority.

The relationship between the Authority and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Authority is contractually obligated to make all annual and supplementary contributions to the insurance fund, to report claims on a timely basis, to cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance pools. Members have a contractual obligation to fund any deficit of the insurance funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

C. Federal Arbitrage Regulations

The Authority is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2015 and 2014, the Authority has estimated that there are arbitrage earnings due to the IRS of \$310,872 and \$163,300, respectively.

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

NOTE 14 OTHER INFORMATION (Continued)

D. Sale of Authority Assets

On January 14, 2015, the Authority awarded the sale of property at the Central Treatment Plant site for \$2,095,000. This Treatment Plant was previously decommissioned by the Authority in October 2010. The Authority has recently received the required approvals for the New Jersey Sports and Exposition Authority, however a contract for sale has not been executed as of the date of the audit.

NOTE 15 DEFEASANCE OF DEBT

On October 15, 2013, the Authority issued \$16,120,000 Sewer Revenue Refunding Bonds having an interest rate ranging from 2.00% to 5.00%. These bonds were issued in order to currently refund certain principal maturities and interest payments of the Authority's Sewer Revenue Refunding Bonds, Series 2003. The total bond principal refunded was \$17,260,000. The net proceeds of \$17,675,559 (after payment of underwriting fees, insurance and other insurance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to pay the principal and interest on the refunded bonds.

The current refunding resulted in the issuance of \$1,140,000 less in bonds and resulted in an increase of cash flows over the life of these bond issues in the amount \$2,004,042; however, the economic gain (difference between the present values of the old and new debt service payments) was \$1,897,285.

NOTE 16 RESTATEMENT

On January 1, 2015, the Authority implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". The Authority has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the year ended December 31, 2014 was to recognize the Authority's proportionate share of the Public Employees' Retirement System's (PERS) net pension liability, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$9,063,411 at January 1, 2014 and \$9,558,539 at December 31, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND**

<u>Actuarial Valuation Date December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2015		\$ 26,499,826	\$ 26,499,826		\$ 3,019,671	8.78%
2014		24,924,852	24,924,852		3,002,455	8.30%
2013		19,672,064	19,672,064		3,131,408	6.28%
2012		18,217,978	18,217,978		3,341,017	5.45%
2011		16,801,031	16,801,031		3,244,063	5.18%
2010		10,995,177	10,995,177		2,534,768	4.33%
2009		10,484,865	10,484,865		2,550,678	4.11%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 1,830,394	27.6%
2014	2,134,313	18.7%
2013	1,417,881	20.6%
2012	1,362,733	19.1%
2011	1,176,985	18.2%
2010	979,161	14.1%
2009	931,536	14.8%

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Three Years *

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Position Liability (Asset)	0.04540%	0.04841%	0.04742%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,190,313	\$ 9,063,879	\$ 9,063,411
Authority's Covered-Employee Payroll	\$ 3,049,397	\$ 3,129,282	\$ 3,287,124
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	334.17%	289.65%	275.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

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.

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Three Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Employer Contribution	\$ 390,277	\$ 399,094	\$ 357,320
Contributions in Relation to the Statutorily Required Employer Contributions	<u>390,277</u>	<u>399,094</u>	<u>357,320</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered- Employee Payroll	\$ 3,049,397	\$ 3,129,282	\$ 3,204,392
Contributions as a Percentage of Covered-Employee Payroll	12.80%	12.75%	11.15%

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.

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

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 13 in the Notes To the Financial Statements.

SUPPLEMENTARY SCHEDULES

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

ASSETS	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
UNRESTRICTED CURRENT ASSETS			
Cash and Cash Equivalents	\$ 3,750,558	\$ 35,817,273	\$ 39,567,831
User Charges Receivable (Net of Allowance for Doubtful Accounts)		3,402,671	3,402,671
Other Accounts Receivable	18,418	99,922	118,340
Total Unrestricted Current Assets	<u>3,768,976</u>	<u>39,319,866</u>	<u>43,088,842</u>
RESTRICTED CURRENT ASSETS			
Revenue Account			
Cash and Cash Equivalents		6,538,761	6,538,761
Bond Reserve Account			
Cash and Cash Equivalents		695,963	695,963
Investments		3,524,701	3,524,701
Renewal and Replacement Account			
Cash and Cash Equivalents		2,108,993	2,108,993
Accrued Interest Receivable	-	25,859	25,859
Total Restricted Current Assets	<u>-</u>	<u>12,894,277</u>	<u>12,894,277</u>
Total Current Assets	<u>3,768,976</u>	<u>52,214,143</u>	<u>55,983,119</u>
NON-CURRENT ASSETS			
Capital Assets			
Land		2,500,000	2,500,000
Land Improvements		35,875	35,875
Buildings and Building Improvements	1,115,138	1,451,792	2,566,930
Sewerage Treatment Plants and Improvements		27,160,983	27,160,983
Pump Stations and Sewer Lines		73,910,315	73,910,315
Vehicles and Equipment	1,997,672	2,225,619	4,223,291
Construction in Progress		5,758,043	5,758,043
Accumulated Depreciation	(2,588,472)	(56,691,320)	(59,279,792)
Total Capital Assets (Net of Accumulated Depreciation)	<u>524,338</u>	<u>56,351,307</u>	<u>56,875,645</u>
Total Non-Current Assets	<u>524,338</u>	<u>56,351,307</u>	<u>56,875,645</u>
Total Assets	<u>4,293,314</u>	<u>108,565,450</u>	<u>112,858,764</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	807,238	660,468	1,467,706
Deferred Amounts of Refunding of Debt	-	974,290	974,290
Total Deferred Outflows of Resources	<u>807,238</u>	<u>1,634,758</u>	<u>2,441,996</u>
Total Assets and Deferred Outflows of Resources	<u>5,100,552</u>	<u>110,200,208</u>	<u>115,300,760</u>

Continued

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

LIABILITIES AND NET POSITION	Solid Waste	Waste Water	Total
CURRENT LIABILITIES (Payable from Unrestricted Assets)			
Accounts Payable	\$ 280,973	\$ 645,154	\$ 926,127
Capital Lease Payable	40,980		40,980
Accrued Interest on Bonds and Loans	8,082	203,455	211,537
Unearned Revenue	488,778	99,922	588,700
Intergovernmental Loans Payable	47,521	2,788,837	2,836,358
Total Current Liabilities Payable from Unrestricted Assets	866,334	3,737,368	4,603,702
CURRENT LIABILITIES (Payable from Restricted Assets)			
Construction Contracts Payable		35,876	35,876
Accrued Interest on Bonds		19,627	19,627
Revenue Bonds Payable	-	2,600,000	2,600,000
Total Current Liabilities Payable from Restricted Assets	-	2,655,503	2,655,503
Total Current Liabilities	866,334	6,392,871	7,259,205
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	186,748	155,687	342,435
Post Retirement Benefits Payable	4,676,354	4,327,401	9,003,755
Capital Leases Payable	17,459		17,459
Rebatable Arbitrage Payable		310,872	310,872
Net Pension Liability	5,630,147	4,560,166	10,190,313
Revenue Bonds Payable (Net of Unamortized Premium)		17,511,336	17,511,336
Intergovernmental Loans Payable (Net of Unamortized Premium)	216,379	33,088,123	33,304,502
Total Non-Current Liabilities	10,727,087	59,953,585	70,680,672
Total Liabilities	11,593,421	66,346,456	77,939,877
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	353,592	289,303	642,895
Total Liabilities and Deferred Inflows of Resources	11,947,013	66,635,759	78,582,772
NET POSITION			
Net Investment in Capital Assets	197,999	12,742,431	12,940,430
Restricted For:			
Renewals and Replacements		2,108,988	2,108,988
Unrestricted	(7,044,460)	28,713,030	21,668,570
Total Net Position	\$ (6,846,461)	\$ 43,564,449	\$ 36,717,988

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
OPERATING REVENUES			
User Charges		\$ 14,597,224	\$ 14,597,224
Service Charges	\$ 222,294		222,294
Interest on Delinquent Accounts		374,336	374,336
Appropriation - Township of North Bergen	6,324,000	-	6,324,000
	<u>6,546,294</u>	<u>14,971,560</u>	<u>21,517,854</u>
Total Operating Revenues	<u>6,546,294</u>	<u>14,971,560</u>	<u>21,517,854</u>
OPERATING EXPENSES			
Administration			
Salaries and Wages	226,314	594,260	820,574
Fringe Benefits	367,063	493,525	860,588
Other Expenses	226,366	608,619	834,985
Cost of Providing Services			
Salaries and Wages	1,661,324	1,111,097	2,772,421
Fringe Benefits	1,609,980	1,274,424	2,884,404
Other Expenses	2,790,900	5,480,316	8,271,216
Depreciation	178,957	4,023,950	4,202,907
	<u>7,060,904</u>	<u>13,586,191</u>	<u>20,647,095</u>
Total Operating Expenses	<u>7,060,904</u>	<u>13,586,191</u>	<u>20,647,095</u>
Operating Income (Loss)	<u>(514,610)</u>	<u>1,385,369</u>	<u>870,759</u>
NON-OPERATING REVENUES (EXPENSES)			
Connection Fees		1,164,378	1,164,378
Interest and Investment Income		47,504	47,504
Grants and Entitlements	500	62,276	62,776
Other Revenues	14,248	64,980	79,228
Municipal Appropriation - Debt Service Reimbursement		152,597	152,597
Municipal Contribution		(400,000)	(400,000)
Amortization of Premiums and Deferred Amounts on Refunding of Debt		123,380	123,380
Interest Expense	(14,842)	(1,395,437)	(1,410,279)
	<u>(94)</u>	<u>(180,322)</u>	<u>(180,416)</u>
Total Non-Operating Revenues (Expenses)	<u>(94)</u>	<u>(180,322)</u>	<u>(180,416)</u>
Change in Net Position	(514,704)	1,205,047	690,343
Total Net Position, January 1, 2015 (Restated)	<u>(6,331,757)</u>	<u>42,359,402</u>	<u>36,027,645</u>
Total Net Position, December 31, 2015	<u>\$ (6,846,461)</u>	<u>\$ 43,564,449</u>	<u>\$ 36,717,988</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers/Municipality	\$ 7,114,025	\$ 14,873,592	\$ 21,987,617
Cash Paid for Goods and Services	(3,044,652)	(5,769,052)	(8,813,704)
Cash Paid for Employees Salaries, Wages and Benefits	(2,927,792)	(2,856,516)	(5,784,308)
Net Cash Provided by Operating Activities	<u>1,141,581</u>	<u>6,248,024</u>	<u>7,389,605</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants and Entitlements	120,399	62,276	182,675
Municipal Contribution		(400,000)	(400,000)
Connection Fees		1,164,378	1,164,378
Miscellaneous	14,248	64,980	79,228
Net Cash Provided by Noncapital Financing Activities	<u>134,647</u>	<u>891,634</u>	<u>1,026,281</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Revenue Bonds		(2,550,000)	(2,550,000)
Principal Payments on Intergovernmental Loans	(45,151)	(2,742,853)	(2,788,004)
Principal Payments on Capital Leases	(67,638)		(67,638)
Proceeds from Intergovernmental Loans		1,493,824	1,493,824
Municipal Appropriation - Debt Service Reimbursement		152,597	152,597
Interest Paid	(16,224)	(1,022,113)	(1,038,337)
Acquisition of Capital Assets	-	(723,896)	(723,896)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(129,013)</u>	<u>(5,392,441)</u>	<u>(5,521,454)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		328,037	328,037
Proceeds from Forward Delivery Agreement	-	260,000	260,000
Net Cash Provided by Investing Activities	<u>-</u>	<u>588,037</u>	<u>588,037</u>
Net Increase in Cash and Cash Equivalents	1,147,215	2,335,254	3,482,469
Cash and Cash Equivalents, January 1, 2015	<u>2,603,343</u>	<u>42,825,736</u>	<u>45,429,079</u>
Cash and Cash Equivalents, December 31, 2015	<u>\$ 3,750,558</u>	<u>\$ 45,160,990</u>	<u>\$ 48,911,548</u>
Analysis of Cash and Cash Equivalents			
Unrestricted	\$ 3,750,558	\$ 35,817,273	\$ 39,567,831
Restricted	<u>-</u>	<u>9,343,717</u>	<u>9,343,717</u>
	<u>\$ 3,750,558</u>	<u>\$ 45,160,990</u>	<u>\$ 48,911,548</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (514,610)	\$ 1,385,369	\$ 870,759
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	178,957	4,023,950	4,202,907
(Increase)/Decrease in User Charges Receivable		(97,968)	(97,968)
(Increase)/Decrease in Other Accounts Receivable	567,731		567,731
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net Pension Liability	(565,270)	(457,844)	(1,023,114)
Increase/(Decrease) in Accounts Payable	(31,882)	315,562	283,680
Increase/(Decrease) in Accrued Compensated Absences	23,438	7,321	30,759
Increase/(Decrease) in Post Retirement Benefits Payable	804,101	521,579	1,325,680
Increase/(Decrease) in Net Pension Liability	622,355	504,079	1,126,434
Increase/(Decrease) in Deferred Inflows - Deferred Amounts on Net Pension Liability	56,761	45,976	102,737
Total Adjustments	1,656,191	4,862,655	6,518,846
Net Cash Provided by Operating Activities	<u>\$ 1,141,581</u>	<u>\$ 6,248,024</u>	<u>\$ 7,389,605</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Amortization of Bond Premium		\$ (319,519)	\$ (319,519)
Amortization of Loan Premium		(42,631)	(42,631)
Deferred Amounts on Refunding of Debt		238,770	238,770
Capital Assets on Account		35,876	35,876
Interest Expense/Accreted Value of Capital Appreciation Revenue Bonds		390,709	390,709

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF REVENUES COMPARED TO BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2015
 BUDGETARY BASIS
 (With Comparative Amounts for the Year Ended December 31, 2014)

	<u>2015</u> <u>Amended Budget</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
SOLID WASTE			
OPERATING REVENUES			
Service Charges	\$ 220,300	\$ 222,294	\$ 217,479
Appropriation - Township of North Bergen	<u>6,324,000</u>	<u>6,324,000</u>	<u>6,200,000</u>
	<u>6,544,300</u>	<u>6,546,294</u>	<u>6,417,479</u>
NON-OPERATING REVENUES			
Grants and Entitlements	156,000	500	62,085
Other Revenues	<u>28,345</u>	<u>14,248</u>	<u>28,787</u>
Total Non-Operating Revenues	<u>184,345</u>	<u>14,748</u>	<u>90,872</u>
Total Solid Waste Revenues	<u>6,728,645</u>	<u>6,561,042</u>	<u>6,508,351</u>
WASTE WATER			
OPERATING REVENUES			
User Charges	13,500,000	14,597,224	15,070,269
Interest on Delinquent Accounts	<u>230,000</u>	<u>374,336</u>	<u>321,959</u>
Total Operating Revenues	<u>13,730,000</u>	<u>14,971,560</u>	<u>15,392,228</u>
NON-OPERATING REVENUES			
Connection Fees	700,000	1,164,378	1,050,112
Interest and Investment Income	70,000	47,504	75,281
Appropriation - Township of North Bergen, Debt Service			
Reimbursement	133,215	152,597	158,011
Grants and Entitlements		62,276	2,000,000
Other Revenues	<u>-</u>	<u>64,980</u>	<u>13,253</u>
Total Non-Operating Revenues	<u>903,215</u>	<u>1,491,735</u>	<u>3,296,657</u>
Total Waste Water Revenues	<u>14,633,215</u>	<u>16,463,295</u>	<u>18,688,885</u>
Grand Total	<u>\$ 21,361,860</u>	<u>\$ 23,024,337</u>	<u>\$ 25,197,236</u>

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF EXPENSES COMPARED TO BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2015
 BUDGETARY BASIS
 (With Comparative Amounts for the Year Ended December 31, 2014)

	2015 <u>Amended Budget</u>	2015 <u>Actual</u>	2014 <u>Actual</u>
SOLID WASTE			
OPERATING APPROPRIATIONS			
Administration			
Salaries and Wages	\$ 343,719	\$ 226,314	\$ 219,124
Fringe Benefits	347,500	269,315	268,604
Other Expenses	167,000	226,366	174,915
Cost of Providing Services			
Salaries and Wages	1,800,300	1,661,324	1,623,513
Fringe Benefits	977,550	794,277	756,143
Other Expenses	<u>2,960,732</u>	<u>2,790,900</u>	<u>2,700,704</u>
Total Operating Appropriations	<u>6,596,801</u>	<u>5,968,496</u>	<u>5,743,003</u>
NON-OPERATING APPROPRIATIONS			
Principal Payments on Debt	112,790	112,789	162,275
Interest on Debt	<u>19,054</u>	<u>14,842</u>	<u>24,726</u>
Total Non-Operating Appropriations	<u>131,844</u>	<u>127,631</u>	<u>187,001</u>
Total Solid Waste Appropriations	<u>6,728,645</u>	<u>6,096,127</u>	<u>5,930,004</u>

WASTE WATER

OPERATING APPROPRIATIONS			
Administration			
Salaries and Wages	676,540	594,260	572,778
Fringe Benefits	359,200	310,002	308,249
Other Expenses	1,015,300	608,619	598,938
Cost of Providing Services			
Salaries and Wages	1,294,000	1,111,097	1,049,188
Fringe Benefits	1,085,000	848,478	865,934
Other Expenses	<u>6,114,900</u>	<u>5,480,316</u>	<u>5,000,908</u>
Total Operating Appropriations	<u>10,544,940</u>	<u>8,952,772</u>	<u>8,395,995</u>

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF EXPENSES COMPARED TO BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2015
 BUDGETARY BASIS
 (With Comparative Amounts for the Year Ended December 31, 2014)

	2015 <u>Amended Budget</u>	2015 <u>Actual</u>	2014 <u>Actual</u>
<i>WASTE WATER</i> (continued)			
NON-OPERATING APPROPRIATIONS			
Principal on Payment of Debt	\$ 5,292,853	\$ 5,292,853	\$ 5,044,005
Interest Expense	1,046,973	1,004,728	1,096,410
Municipal Contribution	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Total Non-Operating Appropriations	<u>6,739,826</u>	<u>6,697,581</u>	<u>6,540,415</u>
Total Waste Water Appropriations	<u>17,284,766</u>	<u>15,650,353</u>	<u>14,936,410</u>
Grand Total	<u>\$ 24,013,411</u>	21,746,480	20,866,414
Reconciliation to GAAP Basis			
Increased/(Decreased) by:			
Depreciation Expense			
Solid Waste		178,957	216,101
Waste Water		4,023,950	4,104,903
Other Post Retirement Benefit Expense			
Solid Waste		804,101	1,012,056
Waste Water		521,579	722,897
Pension Expense			
Solid Waste		109,350	273,558
Waste Water		87,890	221,570
Amortization of Premiums		(362,150)	(405,535)
Deferred Amounts on Refunding of Debt		238,770	238,770
Interest Expense/Accreted Value of Capital			
Appreciation Revenue Bonds		390,709	372,338
Rebatable Arbitrage Refund			624,380
Principal Payments on Debt			
Solid Waste		(112,789)	(162,275)
Waste Water		<u>(5,292,853)</u>	<u>(5,044,005)</u>
Total GAAP Basis Expenses (Operating and Non-Operating Expenses)		<u>\$ 22,333,994</u>	<u>\$ 23,041,172</u>

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

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities of Bonds Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance January 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2015</u>
Waste Water Revenue Refunding	10/15/2013	\$ 16,120,000	12/15/2016 12/15/2017 12/15/2018 12/15/2019	2,600,000 2,710,000 2,810,000 2,925,000	4.000 % 4.000 4.000 5.000	\$ 13,595,000	\$ 2,550,000	\$ 11,045,000	
Sewer Revenue Subordinated Capital Appreciation Bonds	12/27/07	5,676,013	12/15/2020 12/15/2021 12/15/2022 12/15/2023 12/15/2024 12/15/2025 12/15/2026 12/15/2027 12/15/2028 12/15/2029 12/15/2030 12/15/2031 12/15/2032 12/15/2033 12/15/2034	895,000 900,000 900,000 1,000,000 1,000,000 1,005,000 1,000,000 1,005,000 1,000,000 1,000,000 1,000,000 1,000,000 1,000,000 1,000,000 1,000,000		7,933,366	\$ 390,709	-	8,324,075
						\$ 21,528,366	\$ 390,709	\$ 2,550,000	19,369,075
Less: Current Portion of Bonds Payable Unamortized Bond Premium									
									2,600,000 (742,261)
Total Long-Term Portion of Bonds Payable (Net of Deferred Charge on Refunding)									
									\$ 17,511,336

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2015

Board of Commissioners

Position

Salvatore DeSantis

Chairman

Richard Censullo

Vice Chairman

Felix Henriquez

Board Member

Joseph Lombardi

Board Member

Frank Piazza

Board Member

Executive Staff

Frank Pestana

Executive Director

Patricia Bartoli

Chief Financial Officer

Luise O'Neill

Clerk to the Board

Consultants and Advisors

Cleary Giacobbe Alfieri Jacobs, LLC

General Counsel

Boswell Engineering

Consulting Engineers

GOVERNMENT AUDITING STANDARDS REPORT



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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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
North Bergen Municipal Utilities Authority
North Bergen, 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 North Bergen Municipal Utilities Authority, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the North Bergen Municipal Utilities Authority's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Bergen Municipal 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 North Bergen Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Bergen Municipal 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 North Bergen Municipal 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 North Bergen Municipal 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 North Bergen Municipal 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 North Bergen Municipal Utilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 24, 2016



LERCH, VINCI & HIGGINS, LLP

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

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
North Bergen Municipal Utilities Authority
North Bergen, New Jersey

Report on Compliance for Each Major State Program

We have audited the North Bergen Municipal 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 North Bergen Municipal Utilities Authority's major state programs for the year ended December 31, 2015. The North Bergen Municipal Utilities Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the North Bergen Municipal 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 North Bergen Municipal 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 North Bergen Municipal Utilities Authority's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the North Bergen Municipal 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 North Bergen Municipal 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 North Bergen Municipal Utilities Authority's internal control over compliance.


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


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

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

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

We have audited the financial statements of the North Bergen Municipal Utilities Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the North Bergen Municipal Utilities Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 24, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and expenditures of state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 24, 2016

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

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Award</u>	<u>State Grant Number</u>	<u>2015 Grant Receipts</u>	<u>Balance, January 1, 2015</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2015</u>	<u>Cumulative Expenditures</u>
American Recovery and Reinvestment Act Department of Environmental Protection Agency Capitalization Grants for Clean Water Sources	66.458	\$ 2,000,000	42-4860-711-008-15	\$ 509,277	\$ 509,277		\$ 509,277	\$	2,000,000
Department of Homeland Security Federal Emergency Management Agency Public Assistance Grants	97.036	62,276	66-1200-100-A92	62,276	-	\$ 62,276	62,276	-	62,276
					\$ 509,277	\$ 62,276	\$ 571,553	\$ -	\$ 2,062,276

This schedule is not subject to a federal single audit in accordance with U.S. Uniform Guidance.

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

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2015 Grant Receipts</u>	<u>Balance, January 1, 2015</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2015</u>	<u>Cumulative Expenditures</u>
Department of Environmental Protection									
New Jersey Environmental Infrastructure Trust - Fund Loan	42-4860-711-008-15	2013/14	2,314,775	611,091	\$ 611,091		\$ 611,091		\$ 2,314,775
New Jersey Environmental Infrastructure Trust - Trust Loan	42-4860-711-008-15	2013/14	1,438,258	373,456	373,456		373,456		1,438,258
Recycling Tonnage Grant	4900-752-001	2012	146,320		70,838		500	\$ 70,338	75,982
Recycling Tonnage Grant	4900-752-001	2013	156,715		156,715			156,715	
Recycling Tonnage Grant	4900-752-001	2014	141,326		141,326			141,326	
Recycling Tonnage Grant	4900-752-001	2015	120,399	120,399	-	\$ 120,399	-	120,399	-
					\$ 1,353,426	\$ 120,399	\$ 985,047	\$ 488,778	\$ 3,829,015

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

NOTE 1 GENERAL

The accompanying schedule presents the activity of all federal awards and state financial assistance programs of the North Bergen Municipal Utilities Authority. The Authority is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from federal agencies, as well as federal and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule is presented using accrual basis of accounting for proprietary funds as presented by accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Authority's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Operating</u>
Federal	\$ 62,276
State	<u>120,399</u>
Total	<u>\$ 182,675</u>

NOTE 4 STATE LOANS OUTSTANDING

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

	<u>2015</u>
New Jersey Infrastructure Trust	
1998 Trust Loan Payable - Waste Water System	\$ 415,000
1999 Trust Loan Payable - Waste Water System	60,000
2007 Trust Loan Payable - Waste Water System	7,580,000
2010 Trust Loan Payable - Waste Water System	1,055,000
2013 Trust Loan Payable - Waste Water System	670,000
2014 Trust Loan Payable - Waste Water System	1,365,000
1998 Fund Loan Payable - Waste Water System	288,065
1999 Fund Loan Payable - Waste Water System	39,587
2007 Fund Loan Payable - Waste Water System	18,139,645
2010 Fund Loan Payable - Waste Water System	1,699,294
2013 Fund Loan Payable - Waste Water System	2,040,000
2014 Fund Loan Payable - Waste Water System	<u>2,193,477</u>
	<u>\$ 35,545,068</u>

Part I – Summary of Auditor’s Results

A) Type of auditors' report issued:	<u>Unmodified</u>		
B) Internal control over financial reporting:			
1) Material weakness(es) identified?	<u> </u> yes .	<u> X </u> no	
2) Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no	
C) Noncompliance material to basic financial statements noted?	<u> </u> yes	<u> X </u> no	

Not Applicable

_____ yes X no

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

Part II – Schedule of Financial Statement Findings

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

There are none.

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

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Our audit of payroll tax remittances noted that the Authority does not independently verify that the payroll service provider has made payment to state agencies by the required due dates. It is recommended that the Authority verify that all payroll tax payments remitted by the payroll service provider are made by the required due dates.

Our audit noted that deposits were not always made in a timely manner. It is recommended that the Authority review its internal procedures regarding the depositing of sewer user fees to ensure that monies collected are deposited within forty-eight hours of receipt.

Appreciation

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

RECOMMENDATIONS

It is recommended that:

- * 1. The Authority verify that all payroll tax payments remitted by the payroll service provider are made by the required due dates.
- * 2. The Authority review its internal procedures regarding the depositing of sewer user fees to ensure that monies collected are deposited within forty-eight hours of receipt.

A review was performed on all prior year's recommendations. Those recommendations which have not been corrected and which are repeated in this audit are denoted with an asterisk (*).