NORTH BERGEN MUNICIPAL

UTILITIES AUTHORITY

(A Component Unit of the Township of North Bergen)

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 and 2018, 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.

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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, 2019 and 2018, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and other postemployment benefits 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 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 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 and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 14, 2020, 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

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

Gary J. Vinci

Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 14, 2020

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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, 2019. Please read it in conjunction with the Authority's financial statements and accompanying notes. The Management Discussion and Analysis (the MD&A) is an element of Required Supplementary Information specified by the Governmental Accounting Standards Board. Certain comparative information between the current year (2019) and the previous two years (2018 and 2017) are required to be maintained in the MD&A.

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, 2019 by $13,482,049.
- The Authority's total net position increased $1,802,354.
- Operating Revenues increased $223,821.
- Operating Expenses increased $1,290,107.
- The Authority ended the December 31, 2019 year with operating income of $511,765.

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of four parts: Independent Auditor's Report, required supplementary information which included the Management's Discussion and Analysis (this section), the basic financial statements and supplementary information. 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.

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

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

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the Authority's customer base, its major suppliers of goods and services, regulatory changes and the condition of the Authority buildings, other facilities, infrastructure and equipment used in waste water and solid waste system operations.

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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Notes To The Financial Statements

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

Other Information

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table summarizes the Net Position as of December 31, 2019, 2018 and 2017:

	2019	2018	2017 (Restated)
Assets			
Current and Other Assets	$ 61,673,286	$ 59,677,785	$ 57,565,710
Capital Assets (Net of Accumulated Depreciation)	61,369,121	52,954,916	51,097,284
Total Assets	123,042,407	112,632,701	108,662,994
Deferred Outflows of Resources	9,298,110	2,370,178	3,602,235
Liabilities			
Non-Current Liabilities	110,415,233	91,722,398	93,357,056
Other Liabilities	5,126,267	8,208,552	7,335,808
Total Liabilities	115,541,500	99,930,950	100,692,864
Deferred Inflows of Resources	3,316,968	3,392,234	2,551,086
Net Position			
Net Investment in Capital Assets	36,228,525	24,571,403	16,566,230
Restricted	3,627,106	5,517,262	5,472,693
Unrestricted	(26,373,582)	(18,408,970)	(13,017,644)
Total Net Position	$ 13,482,049	$ 11,679,695	$ 9,021,279

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

The Authority's Net Position increased $1,802,354 and $2,658,416 for the years ended December 31, 2019 and 2018, respectively.

OPERATING ACTIVITIES

The following table summarizes the Revenues, Expenses and Changes in Net Position for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
OPERATING REVENUES			
User and Service Charges	$ 16,109,833	$ 15,975,839	$ 15,534,235
Interest on Delinquent Accounts	307,493	402,928	780,854
Contribution - Township of North Bergen	6,948,362	6,763,100	6,630,489
Total Operating Revenues	23,365,688	23,141,867	22,945,578
OPERATING EXPENSES			
Administration	5,042,975	2,693,858	3,032,795
Cost of Providing Services	14,403,990	15,446,904	15,977,799
Depreciation	3,406,958	3,423,054	3,905,542
Total Operating Expenses	22,853,923	21,563,816	22,916,136
Operating Income	511,765	1,578,051	29,442
NON-OPERATING REVENUES (EXPENSES)			
Revenues	2,777,696	2,780,360	3,712,188
Expenses	(1,487,107)	(1,699,995)	(1,804,203)
Total Non-Operating Income (Expenses)	1,290,589	1,080,365	1,907,985
Change in Net Position	$ 1,802,354	$ 2,658,416	$ 1,937,427

Operating revenues increased $223,821 primarily as a result of an increase in user fees and service charges. Interest on delinquent accounts decreased from the prior year. Revenue from the contribution from the Township also increased by 2.7 percent. Operating expenses increased $1,290,107. This increase is primarily attributable to expenses related to other postemployment benefits (OPEB).

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, 2019, 2018 and 2017.

	2019	2018	2017
Land	$ 2,500,000	$ 2,500,000	$ 2,500,000
Building and Building Improvements	680,123	723,140	766,416
Sewerage Treatment Plants and Improvements	759,861	866,891	1,151,713
Pump Stations and Sewer Lines	32,455,526	35,545,855	38,515,747
Vehicles and Equipment	547,239	298,621	423,685
Construction in Progress	24,426,372	13,020,409	7,739,723
Total	$ 61,369,121	$ 52,954,916	$ 51,097,284

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, 2019, 2018 and 2017.

	2019	2018	2017
Intergovernmental Loans	$ 24,419,100	$ 27,134,532	$ 30,057,263
Revenue Bonds	10,089,242	12,540,593	14,899,206
Capital Leases	538,818	213,334	300,559
	$ 35,047,160	$ 39,888,459	$ 45,257,028

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

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 2020 budget.

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, 2019 AND 2018

	2019	2018
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	$ 29,180,123	$ 36,411,998
User Charges Receivable (Net of Allowance for Doubtful Accounts)	2,536,651	2,779,446
Other Accounts Receivable	19,936	39,091
Total Unrestricted Current Assets	31,736,710	39,230,535
Restricted Current Assets		
Revenue Account		
Cash and Cash Equivalents	18,381,255	10,538,435
Bond Reserve Account		
Cash and Cash Equivalents	4,477,244	4,395,687
Renewal and Replacement Account		
Cash and Cash Equivalents	2,470,791	2,425,783
EIT Note Receivable	4,578,185	3,053,515
Accrued Interest Receivable	29,101	33,830
Total Restricted Current Assets	29,936,576	20,447,250
Total Current Assets	61,673,286	59,677,785
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	28,219,622	28,219,622
Pump Stations and Sewer Lines	72,851,676	72,851,676
Vehicles and Equipment	4,753,672	4,338,472
Construction in Progress	24,426,372	13,020,409
Accumulated Depreciation	(73,985,026)	(70,578,068)
Total Capital Assets (Net of Accumulated Depreciation)	61,369,121	52,954,916
Total Non-Current Assets	61,369,121	52,954,916
Total Assets	123,042,407	112,632,701
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	1,265,116	2,112,199
Deferred Amounts on OPEB Liability	7,994,990	
Deferred Amounts on Refunding of Debt	38,004	257,979
Total Deferred Outflows of Resources	9,298,110	2,370,178
Total Assets and Deferred Outflows of Resources	132,340,517	115,002,879

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	$ 877,333	$ 1,085,886
Capital Lease Payable	174,176	89,716
Accrued Interest on Bonds, Notes and Loans	153,477	154,816
Unearned Revenue	292,330	360,239
Intergovernmental Loans Payable	2,733,951	2,715,432
Total Current Liabilities Payable from Unrestricted Assets	4,231,267	4,406,089
Current Liabilities (Payable from Restricted Assets)		
Construction Contracts Payable		871,369
Accrued Interest on Bonds and Notes		6,094
Revenue Bonds Payable	895,000	2,925,000
Total Current Liabilities Payable from Restricted Assets	895,000	3,802,463
Total Current Liabilities	5,126,267	8,208,552
Non-Current Liabilities		
Compensated Absences	377,492	320,689
Net OPEB Liability	53,048,678	42,659,486
Capital Leases Payable	364,642	123,618
Rebatable Arbitrage Payable	362,106	352,675
Net Pension Liability	8,445,225	9,294,622
EIT Note Payable	16,755,021	4,626,087
Revenue Bonds Payable (Net of Unamortized Premium)	9,194,242	9,709,520
Intergovernmental Loans Payable (Net of Unamortized Premium)	21,867,827	24,635,701
Total Non-Current Liabilities	110,415,233	91,722,398
Total Liabilities	115,541,500	99,930,950
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	3,316,968	3,392,234
Total Liabilities and Deferred Inflows of Resources	118,858,468	103,323,184
NET POSITION		
Net Investment in Capital Assets	36,228,525	24,571,403
Restricted For:		
Bond Reserve Fund	1,005,000	3,071,250
Renewals and Replacements	2,622,106	2,446,012
Unrestricted	(26,373,582)	(18,408,970)
Total Net Position	$ 13,482,049	$ 11,679,695

The Accompanying Notes are an Integral Part of the Financial Statements

EXHIBIT B

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
User Charges	$ 15,870,601	$ 15,741,294
Service Charges	239,232	234,545
Interest on Delinquent Accounts	307,493	402,928
Appropriation - Township of North Bergen	6,948,362	6,763,100
Total Operating Revenues	23,365,688	23,141,867
OPERATING EXPENSES		
Administration		
Salaries and Wages	898,617	825,151
Fringe Benefits	3,131,441	911,620
Other Expenses	1,012,917	957,087
Cost of Providing Services		
Salaries and Wages	2,894,908	2,783,142
Fringe Benefits	1,937,917	3,381,818
Other Expenses	9,571,165	9,281,944
Depreciation	3,406,958	3,423,054
Total Operating Expenses	22,853,923	21,563,816
Operating Income	511,765	1,578,051
NON-OPERATING REVENUES (EXPENSES)		
Connection Fees	1,179,002	1,041,050
Interest and Investment Income	999,339	1,047,913
Grants and Entitlements	144,470	155,045
Other Revenues	322,456	204,719
Municipal Appropriation - Debt Service Reimbursement	132,429	132,679
Municipal Contribution	(500,000)	(450,000)
Interest Expense	(987,107)	(1,051,041)
Total Non-Operating Revenues (Expenses)	1,290,589	1,080,365
Change in Net Position	1,802,354	2,658,416
Total Net Position, January 1	11,679,695	9,021,279
Total Net Position, December 31	$ 13,482,049	$ 11,679,695

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers/Municipality	$ 23,627,638	$ 23,520,152
Cash Paid for Goods and Services	(10,792,635)	(9,938,042)
Cash Paid for Employees Salaries, Wages and Benefits	(6,489,458)	(6,373,386)
Net Cash Provided by Operating Activities	6,345,545	7,208,724
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants and Entitlements	76,561	95,993
Municipal Contribution	(500,000)	(450,000)
Connection Fees	1,179,002	1,041,050
Miscellaneous	322,456	78,415
Net Cash Provided by Noncapital Financing Activities	1,078,019	765,458
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Revenue Bonds	(2,925,000)	(2,810,000)
Principal Payments on Intergovernmental Loans	(2,715,432)	(2,922,731)
Principal Payments on Capital Leases	(89,716)	(87,225)
EIT Note Proceeds	10,604,264	1,572,572
Municipal Appropriation - Debt Service Reimbursement	132,429	132,679
Interest Paid	(419,335)	(584,287)
Acquisition of Capital Assets	(12,277,332)	(4,409,317)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(7,690,122)	(9,108,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Redeemed		3,279,170
Interest Received	1,004,068	735,838
Net Cash Provided by Investing Activities	1,004,068	4,015,008
Net Increase in Cash and Cash Equivalents	737,510	2,880,881
Cash and Cash Equivalents, January 1	53,771,903	50,891,022
Cash and Cash Equivalents, December 31	$ 54,509,413	$ 53,771,903
Analysis of Cash and Cash Equivalents, December 31,		
Unrestricted	$ 29,180,123	$ 36,411,998
Restricted	25,329,290	17,359,905
	$ 54,509,413	$ 53,771,903

The Accompanying Notes are an Integral Part of the Financial Statements

Continued

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 511,765	$ 1,578,051
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,406,958	3,423,054
(Increase)/Decrease in User Charges Receivable	242,795	379,052
(Increase)/Decrease in Other Accounts Receivable	19,155	(767)
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net Pension Liability	847,083	993,286
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net OPEB Liability	(7,994,990)	
Increase/(Decrease) in Accounts Payable	(208,553)	300,989
Increase/(Decrease) in Accrued Compensated Absences	56,803	(14,447)
Increase/(Decrease) in Post Retirement Benefits Payable	10,389,192	1,495,683
Increase/(Decrease) in Net Pension Liability	(849,397)	(1,787,325)
Increase/(Decrease) in Deferred Inflows - Deferred Amounts on Net Pension Liability	(75,266)	841,148
Total Adjustments	5,833,780	5,630,673
Net Cash Provided by Operating Activities	$ 6,345,545	$ 7,208,724
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of Bond Premium	$ (93,927)	$ (162,719)
Amortization of Loan Premium	(33,922)	(36,235)
Deferred Amounts on Refunding of Debt	219,975	238,771
Capital Assets on Account		871,369
Interest Expense/Accreted Value of Capital Appreciation Revenue Bonds	473,649	451,387

The Accompanying Notes are an Integral Part of the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

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 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.

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. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards

The Authority has adopted the following GASB statements:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

- GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently.

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

- GASB No. 87, *Leases,* will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period,* will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

- GASB No. 91, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61, will be effective beginning with the year ending December 31, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 92, Omnibus 2020, will be effective beginning with the year ending December 31, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including: i) the effective date of GASB No. 87 and Implementation Guide No. 2019-3; ii) reporting of intraentity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit plan; iii) the applicability of GASB No. 73 and 74; iv) the applicability of certain requirements of GASB No. 84; v) measurement of liability and assets related to asset retirement obligations in a government acquisition; vi) reporting by public entity risk pools for amounts that are recoverable from reinsurance or excess insurers; vii) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and viii) terminology used to refer to derivative instruments. This Statement will enhance comparability in the application of accounting and financial reporting requirements. Comparable reporting will improve the usefulness of information for users of state and local government financial statements.

C. Basis of Presentation - Financial Statements

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounting records that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses. 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.

Reclassifications

Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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:

Class	Life
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

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

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, 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 three 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 second 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. The third item that qualifies for reporting in this category is the deferred amounts on net Other Postemployment Benefit Liability (OPEB) liability. Deferred amounts on net OPEB 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. These amounts are deferred and amortized over future years.

In addition to liabilities, the Statement of Net Position has reported a separate section for deferred inflows of resources. This separate financial statement element, 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 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 Divisions. 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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. Budgets and Budgetary Accounting (Continued)

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.

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 $500,000 and $2,042,103 at December 31, 2019 and 2018, respectively, was established to designate the portion of the unrestricted net position utilized to balance the subsequent year's budgets.

At December 31, 2019 and 2018 the unrestricted net position balances were as follows:

	2019	2018
Designated for Subsequent Year's Budget	$ 500,000	$ 2,042,103
Undesignated *	(26,873,582)	(20,451,073)
	$ (26,373,582)	$ (18,408,970)

* The undesignated net position deficits as of December 31, 2019 and 2018 were the result of recording non-budgetary expenses with respect to net pension liabilities and other postemployment benefits liabilities. The budgetary undesignated net position as of December 31, 2019 and 2018 is $28,677,183 and $33,545,138, respectively.

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.

NOTE 4 CASH DEPOSITS AND INVESTMENTS

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

Bank balances at December 31, 2019 and 2018 are insured up to $250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to $250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Authority's deposits were $54,509,413 and $53,771,903, respectively, and bank balances of the Authority's cash deposits amounted to $54,646,701 and $53,862,052, respectively.

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

	2019	2018
Insured		
Restricted	$ 25,329,290	$ 17,359,905
Unrestricted	21,131,690	28,495,928
Uninsured and Collateralized		
Unrestricted	8,185,721	8,006,219
	$ 54,646,701	$ 53,862,052

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, 2019 and 2018, the Authority's bank balance of $8,185,721 and $8,006,219 was exposed to custodial credit risk as follows:

	2019	2018
Uninsured and collateral held by pledging bank's trust department, in the Authority's name	$ 8,185,721	$ 8,006,219

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The Authority is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Township or bonds or other obligations of the school districts which are a part of the Township or school districts located within the Township, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2019 and 2018, the Authority had no outstanding investments.

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.
- 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, 2019 and 2018, including the applicable allowance for doubtful accounts, consisted of the following:

	2019	2018
Gross User Charges Receivable	$ 2,746,983	$ 2,961,337
Less: Allowance for Doubtful Accounts	(210,332)	(181,891)
Net User Charges Receivable	$ 2,536,651	$ 2,779,446

NOTE 7 UNEARNED REVENUE

Unearned revenue is reported in connection with resources that have been received, but not yet earned. At December 31, 2019 and 2018 the following was reported as unearned revenue:

	2019	2018
Solid Waste Recycling Grant	$ 292,330	$ 360,239
Total Unearned Revenue	$ 292,330	$ 360,239

NOTE 8 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance January 1, 2019	Increases	Decreases	Balance, December 31, 2019
Capital Assets, Not Being Depreciated				
Land	$ 2,500,000			$ 2,500,000
Construction in Progress	13,020,409	$ 11,405,963	-	24,426,372
Total Capital Assets, Not Being Depreciated	15,520,409	11,405,963	-	26,926,372
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	28,219,622			28,219,622
Pump Stations and Sewer Lines	72,851,676			72,851,676
Vehicles and Equipment	4,338,472	415,200	-	4,753,672
Total Capital Assets Being Depreciated	108,012,575	415,200	-	108,427,775
Less Accumulated Depreciation for				
Site Improvements	(35,875)			(35,875)
Building and Building Improvements	(1,843,790)	(43,017)		(1,886,807)
Sewerage Treatment Plants and Improvements	(27,352,731)	(107,030)		(27,459,761)
Pump Stations and Sewer Lines	(37,305,821)	(3,090,329)		(40,396,150)
Vehicles and Equipment	(4,039,851)	(166,582)	-	(4,206,433)
Total Accumulated Depreciation	(70,578,068)	(3,406,958)	-	(73,985,026)
Total Capital Assets, Being Depreciated, Net	37,434,507	(2,991,758)	-	34,442,749
Total Capital Assets, Net	$ 52,954,916	$ 8,414,205	$ -	$ 61,369,121

NOTE 8 CAPITAL ASSETS (Continued)

	Balance January 1, 2018	Increases	Decreases	Balance, December 31, 2018
Capital Assets, Not Being Depreciated				
Land	$ 2,500,000			$ 2,500,000
Construction in Progress	7,739,723	$ 5,280,686	-	13,020,409
Total Capital Assets, Not Being Depreciated	10,239,723	5,280,686	-	15,520,409
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	28,219,622			28,219,622
Pump Stations and Sewer Lines	72,851,676			72,851,676
Vehicles and Equipment	4,338,472	-	-	4,338,472
Total Capital Assets Being Depreciated	108,012,575	-	-	108,012,575
Less Accumulated Depreciation for				
Site Improvements	(35,875)			(35,875)
Building and Building Improvements	(1,800,514)	(43,276)		(1,843,790)
Sewerage Treatment Plants and Improvements	(27,067,909)	(284,822)		(27,352,731)
Pump Stations and Sewer Lines	(34,335,929)	(2,969,892)		(37,305,821)
Vehicles and Equipment	(3,914,787)	(125,064)	-	(4,039,851)
Total Accumulated Depreciation	(67,155,014)	(3,423,054)	-	(70,578,068)
Total Capital Assets, Being Depreciated, Net	40,857,561	(3,423,054)	-	37,434,507
Total Capital Assets, Net	$ 51,097,284	$ 1,857,632	$ -	$ 52,954,916

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, 2019 and 2018 consist of the following:

	2019	2018
Waste Water System Revenue Bonds, Refunding Series 2013		
Revenue Serial Bonds Payable, 5.00%, due December 15, 2019		$ 2,925,000
Sewer Revenue Subordinated Capital Appreciation Bonds, Series 2007		
Capital Appreciation Bonds Payable Due December 15, 2020 to December 15, 2034 (Includes Accretion of $3,939,580 and $3,488,193 through December 31, 2019 and 2018, respectively).	$ 10,089,242	9,615,593
Total	$ 10,089,242	$ 12,540,593

Intergovernmental Loans Payable – The Authority has entered into loan agreements with the New Jersey Environmental Infrastructure Trust (the "EIT") 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.

NOTE 9 LONG-TERM LIABILITIES (Continued)

Loans payable at December 31, 2019 and 2018 are comprised of the following:

	2019	2018
New Jersey Environmental Infrastructure Trust		
1999 Trust Loan Payable - Waste Water System		
5.50% to 5.70% due in annual installment on August 1, 2019		$ 15,000
2007 Trust Loan Payable - Waste Water System		
3.40% to 5.00% due in annual installments on August 1 through 2027	$ 5,490,000	6,050,000
2010 Trust Loan Payable - Waste Water System		
3.50% to 5.00% due in annual installments on August 1 through 2029	597,000	712,000
2013 Trust Loan Payable - Waste Water System		
1.17% to 3.18% due in annual installments on August 1 through 2032	550,000	580,000
2014 Trust Loan Payable - Waste Water System		
3.00% to 5.00% due in annual installments on August 1 through 2033	1,145,000	1,205,000
1999 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1, 2019		9,120
2007 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2027	12,096,720	13,604,950
2010 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2029	1,213,782	1,335,160
2013 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2032	1,560,000	1,680,000
2014 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2033	1,708,283	1,829,581
	24,360,785	27,020,811
Township of North Bergen		
Loan Payable - Solid Waste System		
5.25% due in annual installment on June 1, 2020	58,315	113,721
Total	$ 24,419,100	$ 27,134,532

NOTE 9 LONG-TERM LIABILITIES (Continued)

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

Year Ending	Revenue Bonds		Intergovernmental Loans		
December 31,	Principal	Interest	Principal	Interest	Total
2020	$ 895,000		$ 2,733,951	$ 334,205	$ 3,963,156
2021	900,000		2,691,451	298,543	3,889,994
2022	900,000		2,746,093	258,963	3,905,056
2023	1,000,000		2,777,453	217,143	3,994,596
2024	1,000,000		2,801,227	178,297	3,979,524
2025-2029	5,010,000		9,278,624	343,838	14,632,462
2030-2034	5,000,000	-	1,390,301	39,776	6,430,077
	14,705,000	$ -	$ 24,419,100	$ 1,670,765	$ 40,794,865
Less: Unaccreted Value of Capital Appreciation Revenue Bonds at December 31, 2019	4,615,758				
	$ 10,089,242				

Capital Lease –In both 2019 and 2016, the Authority entered into an agreement to lease two (2) sanitation trucks. The capital lease agreements are for terms 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, 2019.

Year Ended	Amount
2020	$ 183,579
2021	120,528
2022	89,003
2023	89,004
2024	89,004
Total Minimum Lease Payments	571,118
Less: Amounts Representing Interest	(32,300)
Present Value of Net Minimum Lease Payments	$ 538,818

NOTE 9 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

The Authority's long-term liability activity for the years ended December 31, 2019 and 2018 are as follows:

	Balance, January 1, 2019	Additions	Reductions	Balance, December 31, 2019	Due Within One Year
Revenue Bonds	$ 12,540,593	$ 473,649	$ 2,925,000	$ 10,089,242	$ 895,000
Issuance Premium	93,927	-	93,927	-	-
Total Revenue Bonds Payable	12,634,520	473,649	3,018,927	10,089,242	895,000
Intergovernmental Loans Payable	27,134,532		2,715,432	24,419,100	2,733,951
Issuance Premium	216,601	-	33,923	182,678	-
Total Intergovernmental Loans Payable	27,351,133	-	2,749,355	24,601,778	2,733,951
Capital Leases Payable	213,334	415,200	89,716	538,818	174,176
Compensated Absences	320,689	56,803		377,492	
Rebatable Arbitrage Payable	352,675	9,431		362,106	
Net OPEB Liability	42,659,486	10,389,192		53,048,678	
Net Pension Liability	9,294,622	-	849,397	8,445,225	-
	$ 92,826,459	$ 11,344,275	$ 6,707,395	$ 97,463,339	$ 3,803,127

NOTE 9 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance, January 1, 2018 (Restated)	Additions	Reductions	Balance, December 31, 2018	Due Within One Year
Revenue Bonds	$ 14,899,206	$ 451,387	$ 2,810,000	$ 12,540,593	$ 2,925,000
Issuance Premium	256,646	-	162,719	93,927	-
Total Revenue Bonds Payable	15,155,852	451,387	2,972,719	12,634,520	2,925,000
Intergovernmental Loans Payable	30,057,263		2,922,731	27,134,532	2,715,432
Issuance Premium	252,836	-	36,235	216,601	-
Total Intergovernmental Loans Payable	30,310,099	-	2,958,966	27,351,133	2,715,432
Capital Leases Payable	300,559		87,225	213,334	89,716
Compensated Absences	335,136		14,447	320,689	
Deferred Pension Obligation					
Rebatable Arbitrage Payable	594,567		241,892	352,675	
Net OPEB Liability	41,163,803	1,495,683		42,659,486	
Net Pension Liability	11,081,947	-	1,787,325	9,294,622	-
	$ 98,941,963	$ 1,947,070	$ 8,062,574	$ 92,826,459	$ 5,730,148

Previously as noted, the principal amount of bonds outstanding at December 31, 2019 and 2018 of $10,089,242 and $12,540,593, respectively, have been increased by the unamortized bond premium on the 2013 refunding bonds in the amounts of $-0- and $93,927, respectively. Also, the principal amount of Intergovernmental Loans outstanding at December 31, 2019 and 2018 have been increased by the unamortized bond premium from the 2009, 2012 and 2013 Environmental Infrastructure Loans in the amounts of $182,678 and $216,601, respectively.

In addition to the debt shown above, the Authority has secured temporary financing through the Construction Financing Trust Loan Program of the New Jersey Environmental Infrastructure Trust for the upgrade of the Woodcliff Treatment Plant project. The Authority has issued a Subordinated Interim Note, dated August 29, 2017, in the amount of $19,892,394. The note, with a zero percent interest rate, matures on June 30, 2020. During 2019 and 2018, the Authority received note proceeds 10,604,264 and $1,572,572, respectively. As of December 31, 2019 and 2018, an EIT note receivable in the amount of $4,578,185 and $3,053,515, respectively, and an EIT note payable in the amount of $ $16,755,021 $4,626,087, respectively, have been reported as a result of cumulative proceeds received and cumulative expenditures incurred.

NOTE 10 CONSTRUCTION AND SIGNIFICANT COMMITMENTS

As of December 31, 2019 and 2018, the Authority had the following commitments with respect to unfinished capital projects:

	2019	2018
Woodcliff Treatment Plant Rehabilitation	$ 2,818,062	$ 11,652,287

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.

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.

NOTE 11 SERVICE AGREEMENT (Continued)

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:

Year	Annual Debt Service Repayment
2020	$ 144,461
2021	145,883
2022	146,020
2023	145,883
2024	146,355
2025-2027	437,672
Total	$ 1,166,274

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, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Bond Reserve Fund		
Required Balances	$ 1,005,000	$ 3,071,250
Cash and Investments	4,477,244	4,395,687
Excess	$ 3,472,244	$ 1,324,437
Renewal and Replacement Fund		
Required Balances	$ 2,622,106	$ 2,446,012
Cash and Investments	2,470,791	2,425,783
Excess (Deficiency)	$ (151,315)	$ (20,229)

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 substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PERS:

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

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

Other Pension Funds

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

The cost of living increase for PERS is funded directly by the system but is currently suspended as a result of reform legislation.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of 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.

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

A. Employee Retirement Systems (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

The 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.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is $18.1 billion and $19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 PERS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension system selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

A. Employee Retirement Systems (Continued)

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 for 2019 and 2018 based on 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) of employee's annual compensation.

For the years ended December 31, 2019 and 2018 for PERS, which is a cost sharing multi-employer defined benefit pension plan, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. All contributions made by the Authority for 2019, 2018 and 2017 were equal to the required contributions.

During the years ended December 31, 2019, 2018 and 2017, 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:

Year Ended December 31	PERS
2019	$ 455,907
2018	469,547
2017	441,020

In addition, for the years ended December 31, 2019, 2018 and 2017 the Authority contributed for long-term disability insurance premiums (LTDI) $2,261, $2,589 and $6,400, respectively, for PERS.

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2019. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deduction,

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)

At December 31, 2019 and 2018, the Authority reported a liability of $8,445,225 and $9,294,622, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Authority's proportionate share of the net pension liability was based on the ratio of the Authority's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Authority's proportionate share was .04686 percent, which was a decrease of .00034 percent from its proportionate share measured as of June 30, 2018 of .04720 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Authority's pension expense to be $378,326 and $516,656, respectively, for PERS. The pension contribution made by the Authority during the current year is the contribution that is applied to the net pension liability reported at the end of the current year of December 31, 2019 with a measurement date of June 30, 2019. Since the State of New jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the current fiscal year end. At December 31, 2019 and 2018, the Authority's deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 151,581	$ 37,307	$ 177,250	$ 47,926
Changes of Assumptions	843,287	2,931,311	1,531,600	2,971,926
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		133,311		87,184
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	270,248	215,039	403,349	285,198
Total	$ 1,265,116	$ 3,316,968	$ 2,112,199	$ 3,392,234

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)

At December 31, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2020	$ (252,656)
2021	(718,285)
2022	(683,340)
2023	(360,208)
2024	(37,363)
Thereafter	-
	$ (2,051,852)

Actuarial Assumptions

The Authority's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	2019	2018
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00% Based on Years of Service	1.65-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

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, 2019 and 2018 as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

	2019		2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
~~Private~~ Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

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

Calendar Year	Measurement Date	Discount Rate
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

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:

	2019	2018
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, 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, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Authority's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28% and 4.66%, respectively) or 1-percentage-point higher (7.28% and 6.66%, respectively) than the current rate:

2019	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the PERS Net Pension Liability	$ 10,667,691	$ 8,445,225	$ 6,572,482

2018	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the PERS Net Pension Liability	$ 11,686,916	$ 9,294,622	$ 7,287,640

The sensitivity analysis was based on the proportionate share of the Authority's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Authority's net pension liability was not provided by the pension system.

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)

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.

NOTE 14 POST RETIREMENT MEDICAL BENEFITS

Plan Description and Benefits Provided

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

Employees Covered by Postemployment Benefits

At December 31, 2019, the following employees were covered by postemployment health care benefits:

Active Employees	63
Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to But Not Yet Receiving Benefits	14
	85

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

At December 31, 2019 and 2018, the Authority's total OPEB liabilities were $53,048,678 and $42,659,486, respectively. Net OPEB liability was measured as of January 1, 2019 and the OPEB liability was determined by an actuarial valuation as of that date.

For the years ended December 31, 2019 and 2018, the Authority has determined its OPEB expense to be $3,025,597 and 2,069,471, respectively, based on the actuarial valuation.

At December 31, 2019, the Authority's deferred outflows of resources and deferred inflows of resources related to OPEB are from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience				
Changes of Assumptions	7,994,990			
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments				
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions				
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	$ 7,994,990	$ -	$ -	$ -

At December 31, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending December 31,	Total
2020	$ 799,499
2021	799,499
2022	799,499
2023	799,499
2024	799,499
Thereafter	3,997,495
	$ 7,994,990

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions

The Authority's total OPEB liability reported for the years ended December 31, 2019 and 2018 was based on the January 1, 2019 measurement date as determined by an actuarial valuation as of December 31, 2018 which was rolled forward to December 31, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	2019	2018
Salary Increases	3.0%	3.0%
Discount Rate	2.9%	3.8%
Healthcare Cost Trend Rates	8%	8%
Ultimate Trend	5%	5%
Grading per Year	0.5%	0.5%

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

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

The actuarial assumptions used in the December 31, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period January 1, 2018 to December 31, 2018.

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Changes in the Total OPEB Liability

The change in the Authority's OPEB liability for the years ended December 31, 2019 and 2018 based on the measurement date of January 1, 2019 is as follows:

	Total OPEB Liability 2019	Total OPEB Liability 2018
Balance - January 1,	$ 42,659,486	$ 41,163,803
Changes for the Year:		
Service Cost	651,679	516,148
Interest on the Total OPEB Liability	1,485,586	1,553,323
Changes in Assumptions	8,883,322	
Benefit Payments	(631,395)	(573,788)
Prior Period Adjustment	-	-
Net Changes	10,389,192	1,495,683
Balance - December 31,	$ 53,048,678	$ 42,659,486

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's net OPEB liability as of December 31, 2019 and 2018 calculated using the discount rate of 2.90% and 3.80%, respectively, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.90% and 2.80%, respectively) or 1-percentage-point higher (3.90% and 4.80%, respectively) than the current rate:

2019	1% Decrease (1.90%)	Current Discount Rate (2.90%)	1% Increase (3.90%)
Net OPEB Liability	$ 66,296,405	$ 53,048,678	$ 43,319,044

2018	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Net OPEB Liability	$ 52,691,164	$ 42,659,486	$ 35,188,694

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Authority's net OPEB liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Authority's net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2019			
Net OPEB Liability	$ 68,518,290	$ 53,048,678	$ 41,533,235

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2018			
Net OPEB Liability	$ 34,108,389	$ 42,659,486	$ 53,969,101

NOTE 15 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, 2019 and 2018, 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.

NOTE 15 OTHER INFORMATION (Continued)

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, 2019 and 2018, the Authority has estimated that there are arbitrage earnings due to the IRS of $362,106 and $352,675, respectively.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFIT LIABILITY

Postemployment Health Benefit Plan

Last Seven Fiscal Years

	2019	2018 (1)	2017	2016	2015	2014	2013
Total OPEB Liability							
Annual Required Contribution			$ 1,172,219	$ 1,403,234	$ 1,403,234	$ 1,403,234	$ 1,176,985
Adjustment to Annual Required Contribution			1,097,678		120,037	493,354	
Service Cost	$ 651,679	$ 516,148					
Interest on Total OPEB Liability	1,485,586	1,553,323	349,377	360,150	307,123	237,725	240,896
Changes in Assumptions	8,883,322						
Benefit Payments	(631,395)	(573,788)	(626,415)	(551,423)	(504,714)	(399,360)	(292,668)
Net Change in Total OPEB Liability	10,389,192	1,495,683	1,992,859	1,211,961	1,325,680	1,734,953	1,125,213
Total OPEB Liability - January 1	42,659,486	41,163,803	10,215,716	9,003,755	7,678,075	5,943,122	4,817,909
Total OPEB Liability - December 31	$ 53,048,678	$ 42,659,486	$ 12,208,575	$ 10,215,716	$ 9,003,755	$ 7,678,075	$ 5,943,122
Authority's Covered-Employee Payroll	$ 3,241,386	$ 3,381,321	$ 3,235,486	$ 3,157,836	$ 3,049,397	$ 3,129,282	$ 3,287,124
Total OPEB Liability as a Percentage of its Covered-Employee Payroll	1636.60%	1261.62%	377.33%	323.50%	295.26%	245.36%	180.80%

(1): Beginning in 2018, the Authority implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions".

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 Seven Years *

	2019	2018	2017	2016	2015	2014	2013
Authority's Proportion of the Net Position Liability (Asset)	0.04686%	0.04720%	0.04760%	0.04500%	0.04540%	0.04841%	0.04742%
Authority's Proportionate Share of the Net Pension Liability (Asset)	$ 8,445,225	$ 9,294,622	$ 11,081,947	$ 13,327,090	$ 10,190,313	$ 9,063,879	$ 9,063,411
Authority's Covered-Employee Payroll	$ 3,241,386	$ 3,381,321	$ 3,235,486	$ 3,157,836	$ 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	260.54%	274.88%	342.51%	422.03%	334.17%	289.65%	275.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	53.60%	48.09%	40.14%	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 Seven Years

	2019	2018	2017	2016	2015	2014	2013
Statutorily Required Employer Contribution	$ 455,907	$ 469,547	$ 441,020	$ 399,755	$ 390,277	$ 399,094	$ 357,320
Contributions in Relation to the Required Employer Contributions	455,907	469,547	441,020	399,755	390,277	399,094	357,320
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered- Employee Payroll	$ 3,334,708	$ 3,241,386	$ 3,381,321	$ 3,235,486	$ 3,157,836	$ 3,049,397	$ 3,129,282
Contributions as a Percentage of Covered-Employee Payroll	13.67%	14.49%	13.04%	12.36%	12.36%	13.09%	11.42%

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, 2019

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

SCHEDULE 5

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

ASSETS	Solid Waste	Waste Water	Total
Unrestricted Current Assets			
Cash and Cash Equivalents	$ 5,255,996	$ 23,924,127	$ 29,180,123
User Charges Receivable (Net of Allowance for Doubtful Accounts)		2,536,651	2,536,651
Other Accounts Receivable	19,936	-	19,936
Total Unrestricted Current Assets	5,275,932	26,460,778	31,736,710
Restricted Current Assets			
Revenue Account			
Cash and Cash Equivalents		18,381,255	18,381,255
Bond Reserve Account			
Cash and Cash Equivalents		4,477,244	4,477,244
Renewal and Replacement Account			
Cash and Cash Equivalents		2,470,791	2,470,791
EIT Note Receivable		4,578,185	4,578,185
Accrued Interest Receivable	-	29,101	29,101
Total Restricted Current Assets	-	29,936,576	29,936,576
Total Current Assets	5,275,932	56,397,354	61,673,286
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		28,219,622	28,219,622
Pump Stations and Sewer Lines		72,851,676	72,851,676
Vehicles and Equipment	2,496,216	2,257,456	4,753,672
Construction in Progress		24,426,372	24,426,372
Accumulated Depreciation	(2,745,353)	(71,239,673)	(73,985,026)
Total Capital Assets (Net of Accumulated Depreciation)	866,001	60,503,120	61,369,121
Total Non-Current Assets	866,001	60,503,120	61,369,121
Total Assets	6,141,933	116,900,474	123,042,407
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	697,300	567,816	1,265,116
Deferred Amounts on Net OPEB Liability	4,264,385	3,730,605	7,994,990
Deferred Amounts of Refunding of Debt	-	38,004	38,004
Total Deferred Outflows of Resources	4,961,685	4,336,425	9,298,110
Total Assets and Deferred Outflows of Resources	11,103,618	121,236,899	132,340,517

Continued

SCHEDULE 5

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

LIABILITIES	Solid Waste	Waste Water	Total
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable and Other Liabilities	$ 421,733	$ 455,600	$ 877,333
Capital Lease Payable	174,176		174,176
Accrued Interest on Bonds and Loans	1,786	151,691	153,477
Unearned Revenue	292,330		292,330
Intergovernmental Loans Payable	58,315	2,675,636	2,733,951
Total Current Liabilities Payable from Unrestricted Assets	948,340	3,282,927	4,231,267
Current Liabilities (Payable from Restricted Assets)			
Revenue Bonds Payable	-	895,000	895,000
Total Current Liabilities Payable from Restricted Assets	-	895,000	895,000
Total Current Liabilities	948,340	4,177,927	5,126,267
Non-Current Liabilities			
Compensated Absences	177,255	200,237	377,492
Net OPEB Liability	27,882,980	25,165,698	53,048,678
Capital Leases Payable	364,642		364,642
Rebatable Arbitrage Payable		362,106	362,106
Net Pension Liability	4,654,797	3,790,428	8,445,225
EIT Note Payable		16,755,021	16,755,021
Revenue Bonds Payable (Net of Unamortized Premium)		9,194,242	9,194,242
Intergovernmental Loans Payable (Net of Unamortized Premium)	-	21,867,827	21,867,827
Total Non-Current Liabilities	33,079,674	77,335,559	110,415,233
Total Liabilities	34,028,014	81,513,486	115,541,500
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	1,828,230	1,488,738	3,316,968
Total Liabilities and Deferred Inflows of Resources	35,856,244	83,002,224	118,858,468
NET POSITION			
Net Investment in Capital Assets	268,868	35,959,657	36,228,525
Restricted For:			
Bond Reserve Fund		1,005,000	1,005,000
Renewals and Replacements		2,622,106	2,622,106
Unrestricted	(25,021,494)	(1,352,088)	(26,373,582)
Total Net Position	$ (24,752,626)	$ 38,234,675	$ 13,482,049

SCHEDULE 6

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Solid Waste	Waste Water	Total
OPERATING REVENUES			
User Charges		$ 15,870,601	$ 15,870,601
Service Charges	$ 239,232		239,232
Interest on Delinquent Accounts		307,493	307,493
Appropriation - Township of North Bergen	6,948,362	-	6,948,362
Total Operating Revenues	7,187,594	16,178,094	23,365,688
OPERATING EXPENSES			
Administration			
Salaries and Wages	248,262	650,355	898,617
Fringe Benefits	1,243,533	1,887,908	3,131,441
Other Expenses	317,443	695,474	1,012,917
Cost of Providing Services			
Salaries and Wages	1,842,634	1,052,274	2,894,908
Fringe Benefits	1,163,580	774,337	1,937,917
Other Expenses	3,049,479	6,521,686	9,571,165
Depreciation	132,327	3,274,631	3,406,958
Total Operating Expenses	7,997,258	14,856,665	22,853,923
Operating Income (Loss)	(809,664)	1,321,429	511,765
NON-OPERATING REVENUES (EXPENSES)			
Connection Fees		1,179,002	1,179,002
Interest and Investment Income		999,339	999,339
Grants and Entitlements	144,470		144,470
Other Revenues	2,999	319,457	322,456
Municipal Appropriation - Debt Service Reimbursement		132,429	132,429
Municipal Contribution		(500,000)	(500,000)
Interest Expense	(4,274)	(982,833)	(987,107)
Total Non-Operating Revenues (Expenses)	143,195	1,147,394	1,290,589
Change in Net Position	(666,469)	2,468,823	1,802,354
Total Net Position, January 1, 2019	(24,086,157)	35,765,852	11,679,695
Total Net Position, December 31, 2019	$ (24,752,626)	$ 38,234,675	$ 13,482,049

SCHEDULE 7

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Solid Waste	Waste Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers/Municipality	$ 7,206,749	$ 16,420,889	$ 23,627,638
Cash Paid for Goods and Services	(3,341,085)	(7,451,550)	(10,792,635)
Cash Paid for Employees Salaries, Wages and Benefits	(3,514,233)	(2,975,225)	(6,489,458)
Net Cash Provided by Operating Activities	351,431	5,994,114	6,345,545
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants and Entitlements	76,561		76,561
Municipal Contribution		(500,000)	(500,000)
Connection Fees		1,179,002	1,179,002
Miscellaneous	2,999	319,457	322,456
Net Cash Provided by Noncapital Financing Activities	79,560	998,459	1,078,019
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Revenue Bonds		(2,925,000)	(2,925,000)
Principal Payments on Intergovernmental Loans	(55,406)	(2,660,026)	(2,715,432)
Principal Payments on Capital Leases	(89,716)		(89,716)
EIT Note Drawdown		10,604,264	10,604,264
Municipal Appropriation - Debt Service Reimbursement		132,429	132,429
Interest Paid	(5,971)	(413,364)	(419,335)
Acquisition of Capital Assets	-	(12,277,332)	(12,277,332)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(151,093)	(7,539,029)	(7,690,122)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	-	1,004,068	1,004,068
Net Cash Provided by Investing Activities	-	1,004,068	1,004,068
Net Increase in Cash and Cash Equivalents	279,898	457,612	737,510
Cash and Cash Equivalents, January 1, 2019	4,976,098	48,795,805	53,771,903
Cash and Cash Equivalents, December 31, 2019	$ 5,255,996	$ 49,253,417	$ 54,509,413
Analysis of Cash and Cash Equivalents			
Unrestricted	$ 5,255,996	$ 23,924,127	$ 29,180,123
Restricted	-	25,329,290	25,329,290
	$ 5,255,996	$ 49,253,417	$ 54,509,413

Continued

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Solid Waste	Waste Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ (809,664)	$ 1,321,429	$ 511,765
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	132,327	3,274,631	3,406,958
(Increase)/Decrease in User Charges Receivable		242,795	242,795
(Increase)/Decrease in Other Accounts Receivable	19,155		19,155
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net Pension Liability	440,263	406,820	847,083
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net OPEB Liability	(4,264,385)	(3,730,605)	(7,994,990)
Increase/(Decrease) in Accounts Payable and Other Liabilities	25,837	(234,390)	(208,553)
Increase/(Decrease) in Accrued Compensated Absences	28,436	28,367	56,803
Increase/(Decrease) in Net OPEB Liability	5,129,171	5,260,021	10,389,192
Increase/(Decrease) in Net Pension Liability	(350,990)	(498,407)	(849,397)
Increase/(Decrease) in Deferred Inflows - Deferred Amounts on Net Pension Liability	1,281	(76,547)	(75,266)
Total Adjustments	1,161,095	4,672,685	5,833,780
Net Cash Provided by Operating Activities	$ 351,431	$ 5,994,114	$ 6,345,545
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Amortization of Bond Premium		$ (93,927)	$ (93,927)
Amortization of Loan Premium		(33,922)	(33,922)
Deferred Amounts on Refunding of Debt		219,975	219,975
Interest Expense/Accreted Value of Capital Appreciation Revenue Bonds		473,649	473,649

Continued

SCHEDULE 8

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WITH BUDGET TO GAAP RECONCILIATION
SOLID WASTE DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Amounts for the Year Ended December 31, 2018)

	2019 Amended Budget	2019 Actual	Variance Excess (Deficit)	2018 Actual
REVENUES				
OPERATING REVENUES				
Service Charges	$ 238,454	$ 239,232	$ 778	$ 234,545
Appropriation - Township of North Bergen	6,948,362	6,948,362	-	6,763,100
Total Operating Revenues	7,186,816	7,187,594	778	6,997,645
NON-OPERATING REVENUES				
Grants and Entitlements	95,000	144,470	49,470	155,045
Other Revenues	91,229	2,999	(88,230)	7,619
Total Non-Operating Revenues	186,229	147,469	(38,760)	162,664
Total Solid Waste Revenues	7,373,045	7,335,063	(37,982)	7,160,309
APPROPRIATIONS				
OPERATING APPROPRIATIONS				
Administration				
Salaries and Wages	281,425	248,262	33,163	236,775
Fringe Benefits	492,000	332,924	159,076	315,685
Other Expenses	305,500	317,443	(11,943)	293,064
Cost of Providing Services				
Salaries and Wages	1,898,464	1,842,634	55,830	1,706,537
Fringe Benefits	1,074,000	1,125,260	(51,260)	1,117,050
Other Expenses	3,165,704	3,049,479	116,225	2,871,094
Total Operating Appropriations	7,217,093	6,916,002	301,091	6,540,205
NON-OPERATING APPROPRIATIONS				
Principal Payments on Debt	145,122	144,470	652	139,867
Interest on Debt	10,830	4,274	6,556	7,122
Total Non-Operating Appropriations	155,952	148,744	7,208	146,989
Total Solid Waste Appropriations	7,373,045	7,064,746	308,299	6,687,194
Total Budgetary Income		270,317		473,115
Reconciliation to Change in Net Position - GAAP				
Increases to Budgetary Income:				
Principal Payments on Debt		144,470		139,867
Decreases to Budgetary Income				
Depreciation Expense		(132,327)		(90,807)
Other Post-Retirement Benefit Expense		(864,786)		(540,199)
Accrued Pension Expense		(84,143)		(70,091)
Change in Net Position - GAAP		$ (666,469)		$ (88,115)

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WITH BUDGET TO GAAP RECONCILIATION
WASTE WATER DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Amounts for the Year Ended December 31, 2018)

	2019 Amended Budget	2019 Actual	Variance Excess (Deficit)	2018 Actual
REVENUES				
OPERATING REVENUES				
User Charges	$ 15,000,000	$ 15,870,601	$ 870,601	$ 15,741,294
Interest on Delinquent Accounts	350,000	307,493	(42,507)	402,928
Total Operating Revenues	15,350,000	16,178,094	828,094	16,144,222
NON-OPERATING REVENUES				
Connection Fees	800,000	1,179,002	379,002	1,041,050
Interest and Investment Income	500,000	999,339	499,339	1,047,913
Appropriation - Township of North Bergen, Debt Service Reimbursement	132,429	132,429		132,679
Other Revenues	-	319,457	319,457	197,100
Total Non-Operating Revenues	1,432,429	2,630,227	1,197,798	2,418,742
Total Waste Water Revenues	16,782,429	18,808,321	2,025,892	18,562,964
APPROPRIATIONS				
OPERATING APPROPRIATIONS				
Administration				
Salaries and Wages	747,820	650,355	97,465	588,376
Fringe Benefits	470,933	426,238	44,695	354,292
Other Expenses	1,274,800	695,474	579,326	664,023
Cost of Providing Services				
Salaries and Wages	1,369,000	1,052,274	316,726	1,076,605
Fringe Benefits	1,113,600	881,954	231,646	963,619
Other Expenses	7,253,905	6,521,686	732,219	6,410,850
Total Operating Appropriations	12,230,058	10,227,981	2,002,077	10,057,765

Continued

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
WITH BUDGET TO GAAP RECONCILIATION
WASTE WATER DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Amounts for the Year Ended December 31, 2018)
(Continued)

	2019 Amended Budget	2019 Actual	Variance Excess (Deficit)	2018 Actual
APPROPRIATIONS (Continued)				
NON-OPERATING APPROPRIATIONS				
Principal on Payment of Debt	$ 5,585,026	$ 5,585,026		$ 5,680,089
Interest Expense	509,448	417,059	$ 92,389	552,715
Municipal Contribution	500,000	500,000	-	450,000
Total Non-Operating Appropriations	6,594,474	6,502,085	92,389	6,682,804
Total Waste Water Appropriations	18,824,532	16,730,066	2,094,466	16,740,569
Total Budgetary Income	(2,042,103)	2,078,255		1,822,395
Reconciliation to Change in Net Position - GAAP				
Increases to Budgetary Income:				
Principal Payments on Debt		5,585,026		5,680,089
Amortization Expense - Original Issue Premiums		127,851		198,954
Decreases to Budgetary Income				
Depreciation Expense		(3,274,631)		(3,332,247)
Other Post-Retirement Benefit Expense		(1,529,416)		(955,484)
Accrued Pension Expense		175,363		22,982
Interest Expense - Accreted Value of Capital Appreciation Revenue Bonds		(473,649)		(451,387)
Amortization Expense - Deferred Amounts on Refunding of Debt		(219,976)		(238,771)
Change in Net Position - GAAP		$ 2,468,823		$ 2,746,531

Continued

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

Description	Date Issued	Amount	Maturities of Bonds Date	Maturities of Bonds Amount	Interest Rate	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2019
Waste Water Revenue Refunding	10/15/2013					$ 2,925,000		$ 2,925,000	
Sewer Revenue Subordinated Capital Appreciation Bonds	12/27/2007	$ 5,676,013	12/15/2020	$ 895,000					
			12/15/2021	900,000					
			12/15/2022	900,000					
			12/15/2023	1,000,000					
			12/15/2024	1,000,000					
			12/15/2025	1,005,000					
			12/15/2026	1,000,000					
			12/15/2027	1,005,000					
			12/15/2028	1,000,000					
			12/15/2029	1,000,000					
			12/15/2030	1,000,000					
			12/15/2031	1,000,000					
			12/15/2032	1,000,000					
			12/15/2033	1,000,000					
			12/15/2034	1,000,000		9,615,593	$ 473,649	-	10,089,242
						$ 12,540,593	$ 473,649	$ 2,925,000	10,089,242
			Less: Current Portion of Bonds Payable						895,000
			Total Long-Term Portion of Bonds Payable						$ 9,194,242

NORTH BERGEN MUNICIPAL UTILITITES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2019

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
Maria Hernandez	Clerk to the Board

Consultants and Advisors	
Cleary Giacobbe Alfieri Jacobs, LLC	General Counsel
Boswell Engineering	Consulting Engineers

GOVERNMENT AUDIT STANDARDS REPORT

AND

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
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, 2019, 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 July 14, 2020.

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.

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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

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

Gary J. Vinci

Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 14, 2020

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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 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, 2019. 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 compliance with state statutes, regulations, and the 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.

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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, 2019.

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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of 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, 2019, 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 July 14, 2020, 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 schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08 and is 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Lerch, Vinci & Higgins, LLP

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

Gary J. Vinci

Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 14, 2020

SCHEDULE 11

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

State Grant Program	Grant Number	Grant Year	Grant Award	2019 Grant Receipts	Balance, December 31, 2019	Revenue	Expended	Balance, December 31, 2019	Cumulative Expenditures
Department of Environmental Protection									
Recycling Tonnage Grant	4900-752-001	2015	$ 120,399		$ 4,139		$ 4,139		$ 120,399
Recycling Tonnage Grant	4900-752-001	2016	172,451		172,451		140,331	$ 32,120	140,331
Recycling Tonnage Grant	4900-752-001	2017	87,656		87,656			87,656	
Recycling Tonnage Grant	4900-752-001	2018	95,993		95,993			95,993	
Recycling Tonnage Grant	4900-752-001	2019	76,561	$ 76,561		$ 76,561		76,561	
Environmental Infrastructure Trust	S340652-14	2017	19,892,894	10,604,264	-	12,128,934	12,128,934	-	16,755,021
					$ 360,239	$12,205,495	$ 12,273,404	$ 292,330	

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 GENERAL

The accompanying schedule presents the activity of all 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 state financial assistance is included on the schedule of expenditures of 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 do not agree with amounts reported in the Authority's financial statements. Financial assistance reported in the Authority's financial statements differ from the amounts reported on the accompanying schedule as a result of reporting requirements related to the New Jersey Environmental Infrastructure Financing Program. Financial assistance is reported in the Authority's financial statements described above as follows:

	Total	Operating	Capital
State	$ 12,273,404	$ 144,470	$ 12,128,934

NOTE 4 STATE LOANS OUTSTANDING

The Authority's state loans outstanding at December 31, 2019 are as follows:

	2019
New Jersey Infrastructure Trust	
2007 Trust Loan Payable - Waste Water System	$ 5,490,000
2010 Trust Loan Payable - Waste Water System	597,000
2013 Trust Loan Payable - Waste Water System	550,000
2014 Trust Loan Payable - Waste Water System	1,145,000
2007 Fund Loan Payable - Waste Water System	12,096,720
2010 Fund Loan Payable - Waste Water System	1,213,782
2013 Fund Loan Payable - Waste Water System	1,560,000
2014 Fund Loan Payable - Waste Water System	1,708,283
	$ 24,360,785

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Part I – Summary of Auditor's Results

Financial Statement Section

A) Type of auditors' report issued: Unmodified

B) Internal control over financial reporting:

1) Material weakness(es) identified? ____ yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ yes X none reported

C) Noncompliance material to basic financial statements noted? ____ yes X no

Federal Awards Section **Not Applicable**

State Awards Section

Internal Control over major programs:

1) Material Weakness(es) identified? ____ yes X no

2) Significant deficiencies identified not considered to be material weaknesses ____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB 15-08 ____ yes X no

Identification of major state programs:

State Grant Number	Name of State Program
S340652-14	Environmental Infrastructure Trust

Dollar threshold to distinguish between Type A and Type B Program: $750,000

Auditee qualified as low-risk auditee? ____ yes X no

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

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
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

* Our audit indicated numerous instances where goods were received or services were rendered prior to the issuance of a purchase order. It is recommended that purchase orders be issued prior to goods being ordered or services being rendered.

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.

A review was performed on the prior year recommendations. Corrective action has been taken on all prior year recommendations other than those denoted with an asterisk (*) above.

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.