

**NORTH BERGEN MUNICIPAL  
UTILITIES AUTHORITY  
(A Component Unit of the Township of North Bergen)  
REPORT OF AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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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 Audit of the Financial Statements

#### *Opinion*

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Bergen Municipal Utilities Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Bergen Municipal Utilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Bergen Municipal Utilities Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Bergen Municipal Utilities Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

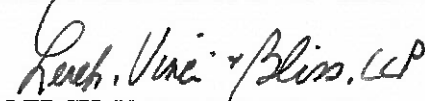
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and other postemployment benefits information be presented to supplement the basic financial statements. Such information, although not a part of the basic 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.


### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of the North Bergen Municipal Utilities Authority as a whole. The supplementary schedules listed in the table of contents and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 28, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Bergen Municipal Utilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the North Bergen Municipal Utilities Authority's internal control over financial reporting and compliance.

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

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
July 28, 2022

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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, 2021. 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 (2021) and the previous two years (2020 and 2019) 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, 2021 by \$21,248,424.
- The Authority's total net position increased \$6,719,459.
- Operating Revenues increased \$20,612.
- Operating Expenses decreased \$851,603.
- The Authority ended the December 31, 2021 year with operating income of \$1,896,096.

### **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.



# ***NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY***

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

### **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 its 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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u> (Restated)	<u>2019</u>
<b>Assets</b>			
Current and Other Assets	\$ 60,791,279	\$ 61,910,319	\$ 61,673,286
Capital Assets (Net of Accumulated Depreciation)	<u>63,145,553</u>	<u>64,178,282</u>	<u>61,369,121</u>
 Total Assets	 <u>123,936,832</u>	 <u>126,088,601</u>	 <u>123,042,407</u>
 <b>Deferred Outflows of Resources</b>	 <u>5,739,804</u>	 <u>7,494,923</u>	 <u>9,298,110</u>
 <b>Liabilities</b>			
Non-Current Liabilities	91,288,595	101,719,546	110,415,233
Other Liabilities	<u>6,738,159</u>	<u>6,345,453</u>	<u>5,126,267</u>
 Total Liabilities	 <u>98,026,754</u>	 <u>108,064,999</u>	 <u>115,541,500</u>
 <b>Deferred Inflows of Resources</b>	 <u>10,401,458</u>	 <u>10,089,560</u>	 <u>3,316,968</u>
 <b>Net Position</b>			
Net Investment in Capital Assets	29,283,469	22,281,871	19,473,504
Restricted	3,722,748	3,668,434	3,627,106
Unrestricted	<u>(11,757,793)</u>	<u>(11,421,340)</u>	<u>(9,618,561)</u>
 Total Net Position	 <u>\$ 21,248,424</u>	 <u>\$ 14,528,965</u>	 <u>\$ 13,482,049</u>



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

**FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)**

The Authority's Net Position increased \$6,719,459 and \$1,046,916 for the years ended December 31, 2021 and 2020, respectively.

**OPERATING ACTIVITIES**

The following table summarizes the Revenues, Expenses and Changes in Net Position for the years ended December 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u> (Restated)	<u>2019</u>
<b>OPERATING REVENUES</b>			
User and Service Charges	\$ 16,294,910	\$ 16,473,997	\$ 16,109,833
Interest on Delinquent Accounts	283,748	295,795	307,493
Appropriation - Township of North Bergen	<u>7,299,076</u>	<u>7,087,330</u>	<u>6,948,362</u>
Total Operating Revenues	<u>23,877,734</u>	<u>23,857,122</u>	<u>23,365,688</u>
<b>OPERATING EXPENSES</b>			
Administration	2,700,413	3,042,501	5,042,975
Cost of Providing Services	15,931,578	16,389,811	14,403,990
Depreciation	<u>3,349,647</u>	<u>3,400,929</u>	<u>3,406,958</u>
Total Operating Expenses	<u>21,981,638</u>	<u>22,833,241</u>	<u>22,853,923</u>
<b>Operating Income (Loss)</b>	<u>1,896,096</u>	<u>1,023,881</u>	<u>511,765</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Revenues	6,387,856	1,532,075	2,777,696
Expenses	<u>(1,564,493)</u>	<u>(1,509,040)</u>	<u>(1,487,107)</u>
Total Non-Operating Income (Expenses)	<u>4,823,363</u>	<u>23,035</u>	<u>1,290,589</u>
<b>Change in Net Position</b>	<u>\$ 6,719,459</u>	<u>\$ 1,046,916</u>	<u>\$ 1,802,354</u>

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

**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, 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Building and Building Improvements	520,951	600,537	680,123
Sewerage Treatment Plants and Improvements	545,604	658,774	759,861
Pump Stations and Sewer Lines	26,320,850	29,382,146	32,455,526
Vehicles and Equipment	304,768	400,363	547,239
Construction in Progress	<u>32,953,380</u>	<u>30,636,462</u>	<u>24,426,372</u>
Total	<u>\$ 63,145,553</u>	<u>\$ 64,178,282</u>	<u>\$ 61,369,121</u>

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

**Capital Debt**

The following table summarizes the gross capital debt for the years ended December 31, 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Intergovernmental Loans	\$ 33,445,085	\$ 21,685,149	\$ 24,419,100
Revenue Bonds	9,271,645	9,691,288	10,089,242
Capital Leases	<u>253,264</u>	<u>364,642</u>	<u>538,818</u>
	<u>\$ 42,969,994</u>	<u>\$ 31,741,079</u>	<u>\$ 35,047,160</u>

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

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

**OTHER FINANCIAL INFORMATION**

**Economic Factors And Next Year's Rates**

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

All of these factors were considered in preparing the Authority's 2022 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.

## **BASIC FINANCIAL STATEMENTS**

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	<b><u>2021</u></b>	<b><u>2020</u></b> <b>(Restated)</b>
<b>Unrestricted Current Assets</b>		
Cash and Cash Equivalents	\$ 39,770,746	\$ 40,006,236
User Charges Receivable (Net of Allowance for Doubtful Accounts)	2,534,451	2,805,666
Other Accounts Receivable	<u>62,226</u>	<u>40,920</u>
Total Unrestricted Current Assets	<u>42,367,423</u>	<u>42,852,822</u>
<b>Restricted Current Assets</b>		
Revenue Account		
Cash and Cash Equivalents	11,450,808	12,084,868
Bond Reserve Account		
Cash and Cash Equivalents	4,493,441	4,493,171
Renewal and Replacement Account		
Cash and Cash Equivalents	2,479,501	2,479,352
Accrued Interest Receivable	<u>106</u>	<u>106</u>
Total Restricted Current Assets	<u>18,423,856</u>	<u>19,057,497</u>
Total Current Assets	<u>60,791,279</u>	<u>61,910,319</u>
<b>Non-Current Assets</b>		
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	4,753,672
Construction in Progress	32,953,380	30,636,462
Accumulated Depreciation	<u>(80,735,602)</u>	<u>(77,385,955)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>63,145,553</u>	<u>64,178,282</u>
Total Non-Current Assets	<u>63,145,553</u>	<u>64,178,282</u>
Total Assets	<u>123,936,832</u>	<u>126,088,601</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts on Net Pension Liability	164,925	802,028
Deferred Amounts on OPEB Liability	5,552,077	6,662,492
Deferred Amounts on Refunding of Debt	<u>22,802</u>	<u>30,403</u>
Total Deferred Outflows of Resources	<u>5,739,804</u>	<u>7,494,923</u>
Total Assets and Deferred Outflows of Resources	<u>129,676,636</u>	<u>133,583,524</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

<b>LIABILITIES</b>	<u>2021</u>	<u>2020</u> (Restated)
<b>Current Liabilities (Payable from Unrestricted Assets)</b>		
Accounts Payable	\$ 2,124,301	\$ 2,192,818
Capital Lease Payable	82,191	111,379
Accrued Interest on Bonds, Notes and Loans	138,556	138,191
Unearned Revenue	285,936	311,614
Intergovernmental Loans Payable	<u>3,207,175</u>	<u>2,691,451</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>5,838,159</u>	<u>5,445,453</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Revenue Bonds Payable	<u>900,000</u>	<u>900,000</u>
Total Current Liabilities Payable from Restricted Assets	<u>900,000</u>	<u>900,000</u>
Total Current Liabilities	<u>6,738,159</u>	<u>6,345,453</u>
<b>Non-Current Liabilities</b>		
Compensated Absences	422,876	469,085
Net OPEB Liability	46,248,524	45,418,086
Capital Leases Payable	171,073	253,263
Rebatable Arbitrage Payable	229,755	304,207
Net Pension Liability	5,484,597	7,643,299
EIT Note Payable		19,695,440
Revenue Bonds Payable (Net of Unamortized Premium)	8,371,645	8,791,288
Intergovernmental Loans Payable (Net of Unamortized Premium)	<u>30,360,125</u>	<u>19,144,878</u>
Total Non-Current Liabilities	<u>91,288,595</u>	<u>101,719,546</u>
Total Liabilities	<u>98,026,754</u>	<u>108,064,999</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts on Net Pension Liability	3,595,636	3,324,503
Deferred Amounts on Net OPEB Liability	<u>6,805,822</u>	<u>7,665,057</u>
Total Deferred Inflows of Resources	<u>10,401,458</u>	<u>10,989,560</u>
Total Liabilities and Deferred Inflows of Resources	<u>108,428,212</u>	<u>119,054,559</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	29,283,469	22,281,871
Restricted For:		
Bond Reserve Fund	1,005,000	1,005,000
Renewals and Replacements	2,717,748	2,663,434
Unrestricted	<u>(11,757,793)</u>	<u>(11,421,340)</u>
Total Net Position	<u>\$ 21,248,424</u>	<u>\$ 14,528,965</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u> (Restated)
<b>OPERATING REVENUES</b>		
User Charges	\$ 16,045,740	\$ 16,229,977
Service Charges	249,170	244,020
Interest on Delinquent Accounts	283,748	295,795
Appropriation - Township of North Bergen	<u>7,299,076</u>	<u>7,087,330</u>
Total Operating Revenues	<u>23,877,734</u>	<u>23,857,122</u>
<b>OPERATING EXPENSES</b>		
Administration		
Salaries and Wages	1,125,367	1,039,786
Fringe Benefits	569,526	1,049,958
Other Expenses	1,005,520	952,757
Cost of Providing Services		
Salaries and Wages	3,020,263	2,947,330
Fringe Benefits	2,327,198	2,835,756
Other Expenses	10,584,117	10,606,725
Depreciation	<u>3,349,647</u>	<u>3,400,929</u>
Total Operating Expenses	<u>21,981,638</u>	<u>22,833,241</u>
Operating Income	<u>1,896,096</u>	<u>1,023,881</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Connection Fees	979,940	973,419
Interest and Investment Income	106,417	234,065
Grants and Entitlements	124,587	147,775
Other Revenues	48,183	44,187
Other Expenses	(98,260)	(295,031)
Intergovernmental Loan Forgiven	5,000,000	
Municipal Appropriation - Debt Service Reimbursement	128,729	132,629
Municipal Contribution	(570,000)	(500,000)
Interest Expense	<u>(896,233)</u>	<u>(714,009)</u>
Total Non-Operating Revenues (Expenses)	<u>4,823,363</u>	<u>23,035</u>
Change in Net Position	6,719,459	1,046,916
Total Net Position, January 1	<u>14,528,965</u>	<u>13,482,049</u>
Total Net Position, December 31	<u>\$ 21,248,424</u>	<u>\$ 14,528,965</u>



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers/Municipality	\$ 24,127,643	\$ 23,567,123
Cash Paid for Goods and Services	(11,658,154)	(10,964,437)
Cash Paid for Employees Salaries, Wages and Benefits	<u>(7,257,411)</u>	<u>(6,688,608)</u>
Net Cash Provided by Operating Activities	<u>5,212,078</u>	<u>5,914,078</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Grants and Entitlements	98,909	116,714
Municipal Contribution	(570,000)	(500,000)
Connection Fees	979,940	973,419
Insurance Proceeds	-	50,345
Miscellaneous	<u>(50,077)</u>	<u>(250,844)</u>
Net Cash Provided by Noncapital Financing Activities	<u>458,772</u>	<u>389,634</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payments on Revenue Bonds	(900,000)	(895,000)
Principal Payments on Intergovernmental Loans	(2,965,504)	(2,733,951)
Principal Payments on Capital Leases	(111,378)	(174,176)
EIT Note Proceeds		7,518,604
Municipal Appropriation - Debt Service Reimbursement	128,729	132,629
Interest Paid	(406,875)	(256,146)
Acquisition of Capital Assets	<u>(2,316,918)</u>	<u>(5,546,619)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(6,571,946)</u>	<u>(1,954,659)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>31,965</u>	<u>205,161</u>
Net Cash Provided by Investing Activities	<u>31,965</u>	<u>205,161</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(869,131)	4,554,214
Cash and Cash Equivalents, January 1	<u>59,063,627</u>	<u>54,509,413</u>
Cash and Cash Equivalents, December 31	<u>\$ 58,194,496</u>	<u>\$ 59,063,627</u>
Analysis of Cash and Cash Equivalents, December 31,		
Unrestricted	\$ 39,770,746	\$ 40,006,236
Restricted	<u>18,423,750</u>	<u>19,057,391</u>
	<u>\$ 58,194,496</u>	<u>\$ 59,063,627</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income	\$ 1,896,096	\$ 1,023,881
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,349,647	3,400,929
(Increase)/Decrease in User Charges Receivable	271,215	(269,015)
(Increase)/Decrease in Other Accounts Receivable	(21,306)	(20,984)
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net Pension Liability	637,103	463,088
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net OPEB Liability	1,110,415	1,332,498
Increase/(Decrease) in Accounts Payable	(68,517)	652,014
Increase/(Decrease) in Accrued Compensated Absences	(46,209)	91,593
Increase/(Decrease) in Post Retirement Benefits Payable	830,438	(7,630,592)
Increase/(Decrease) in Net Pension Liability	(2,158,702)	(801,926)
Increase/(Decrease) in Deferred Inflows - Deferred Amounts on Net Pension Liability	271,133	7,535
Deferred Amounts on OPEB Liability	(859,235)	7,665,057
Total Adjustments	3,315,982	4,890,197
Net Cash Provided by Operating Activities	<u>\$ 5,212,078</u>	<u>\$ 5,914,078</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Amortization of Bond Premium		
Amortization of Loan Premium	\$ (28,965)	(31,498)
Deferred Amounts on Refunding of Debt	7,601	7,601
Capital Assets on Account		663,471
Interest Expense/Accreted Value of Capital Appreciation Revenue Bonds	480,357	497,046

## **NOTES TO THE FINANCIAL STATEMENTS**

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**B. New Accounting Standards**

During fiscal years 2021 and 2020, the Authority implemented the following GASB statements:

- GASB No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.
- 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. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. 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 will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period.

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

- GASB No. 87, *Leases*, implementation has been postponed and will be effective with the year ending December 31, 2022. 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. 91, *Conduit Debt Obligations*, implementation has been postponed and will be effective beginning with the year ending December 31, 2022. 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.
- GASB No. 92, *Omnibus 2020*, implementation has been postponed and will be effective beginning with the year ending December 31, 2022, except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. 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's. 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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the year ending December 31, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, the section that maybe applicable to the Authority will be effective beginning with the year ending December 31, 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. This Statement also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information of all Section 457 plans.

**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:

**Proprietary Fund Type**

*Enterprise Fund* - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body 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, 2020 balances to conform to the December 31, 2021 presentation.



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

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

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the Authority's operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 3).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority 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.



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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:

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

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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 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. Another 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 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 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 two items that qualify for reporting in this category. One item 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. The other item that qualifies for reporting in this category is the deferred amount on net OPEB liability. This amount is reported in the authority-wide statement of net position and result from changes in assumptions. This amount is 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 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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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. Debt or premiums and discounts are deferred and amortized over the life of the debt. Losses are reported as deferred outflows of resources. Debt premiums are deferred and amortized over the life of the debt 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 and loans payable are reported net of the applicable bond premium or discount. Debt 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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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 \$1,136,063 and \$938,434 at December 31, 2021 and 2020, respectively, was established to designate the portion of the unrestricted net position utilized to balance the subsequent year's budgets.

At December 31, 2021 and 2020 the unrestricted net position balances were as follows:

	<u>2021</u>	<u>2020</u> (Restated)
Designated for Subsequent Year's Budget	\$ 1,136,063	\$ 938,434
Undesignated *	<u>(12,893,856)</u>	<u>(12,359,774)</u>
	<u>\$ (11,757,793)</u>	<u>\$ (11,421,340)</u>

\* The undesignated net position deficits as of December 31, 2021 and 2020 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, 2021 and 2020 is \$43,523,721 and \$44,226,651, respectively.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 3 CREATION OF FUNDS**

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

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

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

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

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

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

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

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

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

Construction Fund - To account for all financial resources received by the Authority for the payment of costs related to the construction, acquisition or restoration of the system. All moneys that are on deposit in the Construction Account are pledged to secure the payment of the principal of, redemption premium, if any, and the interest on the Bonds.

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

General Fund - To account for the accumulation of resources resulting from excess monies which are not required to be maintained in any of the above funds.

Rebate Fund - To account for financial resources and payments as determined by the Authority for interest earnings which are subject to arbitrage rebate to the United States Government.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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, 2021 and 2020 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, 2021 and 2020, the book value of the Authority's deposits were \$58,194,496 and \$59,063,627, respectively, and bank balances of the Authority's cash deposits amounted to \$58,218,402 and \$59,147,599, respectively.

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

	<u>2021</u>	<u>2020</u>
Insured		
Restricted	\$ 18,423,750	\$ 19,057,391
Unrestricted	31,561,869	31,860,790
Uninsured and Collateralized		
Unrestricted	<u>8,232,783</u>	<u>8,229,418</u>
	<u>\$ 58,218,402</u>	<u>\$ 59,147,599</u>

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2021 and 2020, the Authority's bank balance of \$8,232,783 and \$8,229,418 was exposed to custodial credit risk as follows:

	<u>2021</u>	<u>2020</u>
Uninsured and collateral held by pledging bank's trust department, in the Authority's name	<u>\$ 8,232,783</u>	<u>\$ 8,229,418</u>

**Investments** – The Authority is required by its Bond Resolutions to maintain each of its investments in the Fund (account) in which the investment is purchased. In all accounts, except the operating account, the securities and the underlying collateral are held by the Bond Trustees and are within their care, custody and control. The type, quality and length of time of investments are regulated by the Bond Resolution.



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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**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, 2021 and 2020, the Authority had no outstanding investments.



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**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, 2021 and 2020, including the applicable allowance for doubtful accounts, consisted of the following:

	<u>2021</u>	<u>2020</u>
Gross User Charges Receivable	\$ 2,721,664	\$ 3,046,019
Less: Allowance for Doubtful Accounts	<u>(187,213)</u>	<u>(240,353)</u>
Net User Charges Receivable	<u>\$ 2,534,451</u>	<u>\$ 2,805,666</u>

**NOTE 7 UNEARNED REVENUE**

Unearned revenue is reported in connection with resources that have been received, but not yet earned. At December 31, 2021 and 2020 the following was reported as unearned revenue:

	<u>2021</u>	<u>2020</u>
Solid Waste Recycling Grant	\$ 235,591	\$ 261,269
Insurance Proceeds	<u>50,345</u>	<u>50,345</u>
Total Unearned Revenue	<u>\$ 285,936</u>	<u>\$ 311,614</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2021 and 2020 was as follows:

	Balance January 1, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2021</u>
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 2,500,000			\$ 2,500,000
Construction in Progress	<u>30,636,462</u>	<u>\$ 2,316,918</u>	<u>-</u>	<u>32,953,380</u>
Total Capital Assets, Not Being Depreciated	<u>33,136,462</u>	<u>2,316,918</u>	<u>-</u>	<u>35,453,380</u>
<b>Capital Assets, Being Depreciated</b>				
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	<u>4,753,672</u>	<u>-</u>	<u>-</u>	<u>4,753,672</u>
Total Capital Assets Being Depreciated	<u>108,427,775</u>	<u>-</u>	<u>-</u>	<u>108,427,775</u>
<b>Less Accumulated Depreciation for</b>				
Site Improvements	(35,875)			(35,875)
Building and Building Improvements	(1,966,393)	(79,586)		(2,045,979)
Sewerage Treatment Plants and Improvements	(27,560,848)	(113,170)		(27,674,018)
Pump Stations and Sewer Lines	(43,469,530)	(3,061,296)		(46,530,826)
Vehicles and Equipment	<u>(4,353,309)</u>	<u>(95,595)</u>	<u>-</u>	<u>(4,448,904)</u>
Total Accumulated Depreciation	<u>(77,385,955)</u>	<u>(3,349,647)</u>	<u>-</u>	<u>(80,735,602)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,041,820</u>	<u>(3,349,647)</u>	<u>-</u>	<u>27,692,173</u>
Total Capital Assets, Net	<u>\$ 64,178,282</u>	<u>\$ (1,032,729)</u>	<u>\$ -</u>	<u>\$ 63,145,553</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**NOTE 8 CAPITAL ASSETS (Continued)**

	Balance January 1, 2020	Increases	Decreases	Balance, December 31, 2020
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 2,500,000			\$ 2,500,000
Construction in Progress	24,426,372	\$ 6,210,090	-	30,636,462
<b>Total Capital Assets, Not Being Depreciated</b>	<b>26,926,372</b>	<b>6,210,090</b>	<b>-</b>	<b>33,136,462</b>
<b>Capital Assets, Being Depreciated</b>				
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	-	-	4,753,672
<b>Total Capital Assets Being Depreciated</b>	<b>108,427,775</b>	<b>-</b>	<b>-</b>	<b>108,427,775</b>
<b>Less Accumulated Depreciation for</b>				
Site Improvements	(35,875)			(35,875)
Building and Building Improvements	(1,886,807)	(79,586)		(1,966,393)
Sewerage Treatment Plants and Improvements	(27,459,761)	(101,087)		(27,560,848)
Pump Stations and Sewer Lines	(40,396,150)	(3,073,380)		(43,469,530)
Vehicles and Equipment	(4,206,433)	(146,876)	-	(4,353,309)
<b>Total Accumulated Depreciation</b>	<b>(73,985,026)</b>	<b>(3,400,929)</b>	<b>-</b>	<b>(77,385,955)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>34,442,749</b>	<b>(3,400,929)</b>	<b>-</b>	<b>31,041,820</b>
<b>Total Capital Assets, Net</b>	<b>\$ 61,369,121</b>	<b>\$ 2,809,161</b>	<b>\$ -</b>	<b>\$ 64,178,282</b>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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**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 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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Sewer Revenue Subordinated Capital Appreciation Bonds, Series 2007 Capital Appreciation Bonds Payable Due December 15, 2022 to December 15, 2034 (Includes Accretion of \$4,916,983 and \$4,436,626 through December 31, 2020 and 2019, respectively).	<u>\$ 9,271,645</u>	<u>\$ 9,691,288</u>

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

Loans payable at December 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
New Jersey Environmental Infrastructure Trust		
2007 Trust Loan Payable - Waste Water System		
3.40% to 5.00% due in annual installments on August 1 through 2027	\$ 4,300,000	\$ 4,905,000
2010 Trust Loan Payable - Waste Water System		
3.50% to 5.00% due in annual installments on August 1 through 2029	360,000	477,000
2013 Trust Loan Payable - Waste Water System		
1.17% to 3.18% due in annual installments on August 1 through 2032	480,000	515,000
2014 Trust Loan Payable - Waste Water System		
3.00% to 5.00% due in annual installments on August 1 through 2033	1,020,000	1,085,000
2021 Trust Loan Payable - Waste Water System		
2.00% to 5.00% due in annual installments on August 1 through 2050	2,530,000	
2007 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2027	9,076,985	10,583,760
2010 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2029	971,027	1,092,404
2013 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2032	1,320,000	1,440,000
2014 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2033	1,465,688	1,586,985
2021 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2050	<u>11,921,385</u>	<u>-</u>
	<u>\$ 33,445,085</u>	<u>\$ 21,685,149</u>

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 900,000		\$ 3,207,175	\$ 332,538	\$ 4,439,713
2023	1,000,000		3,243,535	288,218	4,531,753
2024	1,000,000		3,267,309	246,622	4,513,931
2025	1,005,000		3,195,581	202,262	4,402,843
2026	1,000,000		3,239,493	162,812	4,402,305
2027-2031	5,005,000		6,958,723	400,688	12,364,411
2032-2036	3,000,000		3,098,116	208,300	6,306,416
2037-2041			2,535,411	137,915	2,673,326
2042-2046			2,585,412	85,175	2,670,587
2047-2050	-	-	2,114,330	26,663	2,140,993
	12,910,000	\$ -	\$ 33,445,085	\$ 2,091,193	\$ 48,446,278
Less: Unaccrued Value of Capital Appreciation Revenue Bonds at December 31, 2021	3,638,355				
	<u>\$ 9,271,645</u>				

**Capital Lease**—In 2019, the Authority entered into an agreement to lease two (2) sanitation trucks. The capital lease agreement is for a term of 5 years. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at December 31, 2021.

<u>Year Ended</u>	<u>Amount</u>
2022	89,003
2023	89,003
2024	<u>89,004</u>
Total Minimum Lease Payments	267,010
Less: Amounts Representing Interest	<u>(13,746)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 253,264</u>

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

**Changes in Long-Term Liabilities**

The Authority's long-term liability activity for the years ended December 31, 2021 and 2020 are as follows:

	Balance, January 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2021</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 9,691,288	\$ 480,357	\$ 900,000	\$ 9,271,645	\$ 900,000
Issuance Premium	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue Bonds Payable	<u>9,691,288</u>	<u>480,357</u>	<u>900,000</u>	<u>9,271,645</u>	<u>900,000</u>
Intergovernmental Loans Payable	21,685,149	14,725,440	2,965,504	33,445,085	3,207,175
Issuance Premium	<u>151,180</u>	<u>-</u>	<u>28,965</u>	<u>122,215</u>	<u>-</u>
Total Intergovernmental Loans Payable	<u>21,836,329</u>	<u>14,725,440</u>	<u>2,994,469</u>	<u>33,567,300</u>	<u>3,207,175</u>
Capital Leases Payable	364,642		111,378	253,264	82,191
Compensated Absences	469,085		46,209	422,876	
Rebatable Arbitrage Payable	304,207		74,452	229,755	
Net OPEB Liability	45,418,086	830,438		46,248,524	
Net Pension Liability	<u>7,643,299</u>	<u>-</u>	<u>2,158,702</u>	<u>5,484,597</u>	<u>-</u>
	<u>\$ 85,726,936</u>	<u>\$ 16,036,235</u>	<u>\$ 6,285,210</u>	<u>\$ 95,477,961</u>	<u>\$ 4,189,366</u>

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

**Changes in Long-Term Liabilities (Continued)**

	Balance, January 1, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 10,089,242	\$ 497,046	\$ 895,000	\$ 9,691,288	\$ 900,000
Issuance Premium	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue Bonds Payable	<u>10,089,242</u>	<u>497,046</u>	<u>895,000</u>	<u>9,691,288</u>	<u>900,000</u>
Intergovernmental Loans Payable	24,419,100		2,733,951	21,685,149	2,691,451
Issuance Premium	<u>182,678</u>	<u>-</u>	<u>31,498</u>	<u>151,180</u>	<u>-</u>
Total Intergovernmental Loans Payable	<u>24,601,778</u>	<u>-</u>	<u>2,765,449</u>	<u>21,836,329</u>	<u>2,691,451</u>
Capital Leases Payable	538,818		174,176	364,642	111,379
Compensated Absences	377,492	91,593		469,085	
Deferred Pension Obligation					
Rebatable Arbitrage Payable	362,106		57,899	304,207	
Net OPEB Liability	53,048,678		7,630,592	45,418,086	
Net Pension Liability	<u>8,445,225</u>	<u>-</u>	<u>801,926</u>	<u>7,643,299</u>	<u>-</u>
	<u>\$ 97,463,339</u>	<u>\$ 588,639</u>	<u>\$ 12,325,042</u>	<u>\$ 85,726,936</u>	<u>\$ 3,702,830</u>

Previously as noted, the principal amount of Intergovernmental Loans outstanding at December 31, 2021 and 2020 have been increased by the unamortized bond premium from the 2009, 2012 and 2013 Environmental Infrastructure Loans in the amounts of \$122,215 and \$151,180, respectively.

**NOTE 10 CONSTRUCTION AND SIGNIFICANT COMMITMENTS**

As of December 31, 2021 and 2020, the Authority had the following commitments with respect to unfinished capital projects:

	<u>2021</u>	<u>2020</u>
Woodcliff Treatment Plant Rehabilitation	<u>\$ 573,670</u>	<u>\$ 846,329</u>



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
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**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.

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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 SERVICE AGREEMENT (Continued)**

The annual debt service loan repayments are as follows:

<u>Year</u>	<u>Annual Debt Service Repayment</u>
2022	\$ 146,020
2023	145,883
2024	146,355
2025	146,287
2026	145,972
2027	<u>145,412</u>
Total	<u>\$ 875,929</u>

**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, 2021 and 2020 are as follows:

	<u>December 31,</u> <u>2021</u>	<u>2020</u>
<b><u>Bond Reserve Fund</u></b>		
Required Balances	\$ 1,005,000	\$ 1,005,000
Cash and Investments	<u>4,493,171</u>	<u>4,493,171</u>
Excess	<u>\$ 3,488,171</u>	<u>\$ 3,488,171</u>
<b><u>Renewal and Replacement Fund</u></b>		
Required Balances	\$ 2,717,748	\$ 2,663,434
Cash and Investments	<u>2,479,501</u>	<u>2,479,352</u>
Excess (Deficiency)	<u>\$ (238,247)</u>	<u>\$ (184,082)</u>

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**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](http://www.state.nj.us/treasury/pensions).

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

The following represents the membership tiers for PERS:

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

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

**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](http://www.state.nj.us/treasury/pensions).

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**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](http://www.state.nj/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2021 and 2020 is \$11.9 billion and \$16.4 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 70.33% and 58.32%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2020 and 2019 which were rolled forward to June 30, 2021 and 2020, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2020 and 2019 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.

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**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 2021 and 2020 based on 7.50% of employee's annual compensation.

For the years ended December 31, 2021 and 2020 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 2021, 2020 and 2019 were equal to the required contributions.

During the years ended December 31, 2021, 2020 and 2019, the Authority was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums. The following amounts represent the actual contributions incurred by the Authority for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>
2021	\$ 542,194
2020	512,736
2019	455,907

In addition, for the year ended December 31, 2019 the Authority contributed for long-term disability insurance premiums (LTDI) \$2,261 for PERS. Due to favorable claims experience, no LTDI premium contribution was required for the years ended December 31, 2021 and 2020.

**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, 2020. 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, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2021 and 2020 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal years ended June 30, 2021 and 2020.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**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, 2021 and 2020, the Authority reported a liability of \$5,484,597 and \$7,643,299, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 and 2019, 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, 2021, the Authority's proportionate share was .04629 percent, which was a decrease of .00058 percent from its proportionate share measured as of June 30, 2020 of .04687 percent.

For the years ended December 31, 2021 and 2020, the pension system has determined the Authority's pension expense (benefit) to be \$(708,270) and \$181,431, 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, 2021 with a measurement date of June 30, 2021. Since the State of New Jersey applies the subsequent 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 June 30 of the current year, there is no deferred outflows of resources reported as of December 31, 2021 and 2020 for contributions made subsequent to the measurement period. At December 31, 2021 and 2020, the Authority's deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2021		2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 86,499	\$ 39,263	\$ 139,172	\$ 27,030
Changes of Assumptions	28,564	1,952,552	247,957	3,200,322
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		1,444,787	261,254	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	49,862	159,034	153,645	97,151
Total	<u>\$ 164,925</u>	<u>\$ 3,595,636</u>	<u>\$ 802,028</u>	<u>\$ 3,324,503</u>



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
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**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, 2021, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ (1,301,751)
2023	(978,616)
2024	(655,770)
2025	(492,428)
2026	(2,146)
Thereafter	<u>-</u>
	<u>\$ (3,430,711)</u>

***Actuarial Assumptions***

The Authority's total pension liability reported for the year ended December 31, 2021 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2021</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2021 and 2020

The actuarial assumptions used in the July 1, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**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, 2021 and 2020 as reported for the years ended December 31, 2021 and 2020, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2021</u>		<u>2020</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.35%	3.00%	3.40%
Cash Equivalents	4.00%	0.50%	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%	5.00%	1.94%
Investment Grade Credit	8.00%	1.68%	8.00%	2.67%
US Equity	27.00%	8.09%	27.00%	7.71%
Non-US Developed Markets Equity	13.50%	8.71%	13.50%	8.57%
Emerging Markets Equity	5.50%	10.96%	5.50%	10.23%
High Yield	2.00%	3.75%	2.00%	5.95%
Real Assets	3.00%	7.40%	3.00%	9.73%
Private Credit	8.00%	7.60%	8.00%	7.59%
Real Estate	8.00%	9.15%	8.00%	9.56%
Private Equity	13.00%	11.30%	13.00%	11.42%

***Discount Rate***

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

**Calendar**

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2021	June 30, 2021	7.00%
2020	June 30, 2020	7.00%

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**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:

	<u><b>2021</b></u>
Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	All Periods

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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, 2021 and 2020 calculated using the discount rate of 7.00% 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<u><b>2021</b></u>			
Authority's Proportionate Share of the PERS Net Pension Liability	\$ 7,468,909	\$ 5,484,597	\$ 3,800,627
	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<u><b>2020</b></u>			
Authority's Proportionate Share of the PERS Net Pension Liability	\$ 9,621,638	\$ 7,643,299	\$ 5,964,624

The sensitivity analysis was based on the proportionate share of the Authority's net pension liability at December 31, 2021 and 2020. A sensitivity analysis specific to the Authority's net pension liability was not provided by the pension system.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**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](http://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, 2021, the following employees were covered by postemployment health care benefits:

Active Employees	65
Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to But Not Yet Receiving Benefits	<u>14</u>
	<u>87</u>

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**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, 2021 and 2020, the Authority's total OPEB liabilities were \$46,248,524 and \$45,418,086, respectively. Net OPEB liability was measured as of December 31, 2021 and the OPEB liability was determined by an actuarial valuation as of January 1, 2021.

For the years ended December 31, 2021 and 2020, the Authority has determined its OPEB expense to be \$1,852,811 and \$2,229,161, respectively, based on the actuarial valuation.

At December 31, 2021, the Authority's deferred outflows of resources and deferred inflows of resources related to OPEB are from the following sources:

	2021		2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience				
Changes of Assumptions	5,552,077	\$ 6,805,822	\$ 6,662,492	\$ 7,665,057
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	<u>\$ 5,552,077</u>	<u>\$ 6,805,822</u>	<u>\$ 6,662,492</u>	<u>\$ 7,665,057</u>

At December 31, 2021, the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ (18,275)
2023	(18,275)
2024	(18,275)
2025	(18,275)
2026	(18,276)
Thereafter	<u>(1,162,369)</u>
	<u>\$ (1,253,745)</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
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**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, 2021 and 2020 was based on the January 1, 2021 measurement date as determined by an actuarial valuation as of December 31, 2020 which was rolled forward to December 31, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Salary Increases	3.0%	3.0%
Discount Rate	2.05%	2.02%
Healthcare Cost Trend Rates	7%	7%
Ultimate Trend	4.5%	4.5%
Grading per Year	0.25%	0.25%

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 Societies of Actuaries – Pub. 2010- Retirement Plans Healthy Male and Female Total Dataset headcount with adjustments for mortality improvements based on Scale MP-2019.

The actuarial assumptions used in the December 31, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
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**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, 2021 and 2020 based on the measurement date of January 1, 2021 is as follows:

	<u>2021</u>	<u>2020</u>
Balance - Beginning of Year	\$ 45,418,086	\$ 53,048,678
Changes for the Year:		
Service Cost	\$ 947,920	\$ 928,796
Interest on the Total OPEB Liability	923,166	1,062,875
Changes of Assumptions	(269,455)	(8,760,065)
Benefit Payments	(771,193)	(862,198)
Net Changes	<u>830,438</u>	<u>(7,630,592)</u>
Balance - End of Year	<u>\$ 46,248,524</u>	<u>\$ 45,418,086</u>

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

The following presents the Authority's net OPEB liability as of December 31, 2021 and 2020 calculated using the discount rate of 2.05% and 2.02%, 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 (1.05% and 1.02%, respectively) or 1-percentage-point higher (3.05% and 3.02%, respectively) than the current rate:

	<b>1% Decrease (1.05%)</b>	<b>Current Discount Rate (2.05%)</b>	<b>1% Increase (3.05%)</b>
<b><u>2021</u></b>			
Net OPEB Liability	<u>\$ 56,330,839</u>	<u>\$ 46,248,524</u>	<u>\$ 38,508,577</u>
	<b>1% Decrease (1.02%)</b>	<b>Current Discount Rate (2.02%)</b>	<b>1% Increase (3.02%)</b>
<b><u>2020</u></b>			
Net OPEB Liability	<u>\$ 66,296,405</u>	<u>\$ 45,418,086</u>	<u>\$ 37,651,631</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
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**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, 2021 and 2020 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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<b><u>2021</u></b>			
Net OPEB Liability	<u>\$ 37,759,206</u>	<u>\$ 46,248,524</u>	<u>\$ 57,412,853</u>
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<b><u>2020</u></b>			
Net OPEB Liability	<u>\$ 37,271,982</u>	<u>\$ 45,418,086</u>	<u>\$ 56,108,830</u>

**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, 2021 and 2020, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Authority believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Authority.

**B. Risk Management**

The Authority is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Authority has obtained insurance coverage to guard against these events which will provide minimum exposure to the Authority should they occur.



**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 15 OTHER INFORMATION (Continued)**

**B. Risk Management (Continued)**

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, 2021 and 2020, the Authority has estimated that there are arbitrage earnings due to the IRS of \$229,755 and \$304,207, respectively.

**NOTE 16 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also declared a public health emergency on March 9, 2020 and instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor's pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. On January 11, 2022, the Governor reinstated, via Executive Order No. 280, the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron variant. Such public health emergency was set to expire 30 days from January 11, 2022, but was later extended, via Executive Order No. 288, for an additional 30 days on February 10, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 16 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)**

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, the Governor signed into law P.L. 2020 c. 74 (“Chapter 74”) on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): (1) direct COVID-19 response expenses; and (2) deficits in prior year’s operations attributable to COVID-19 (the beginning of the five year repayment schedule is delayed by one year for these new purposes). Upon approval by the Director of the Division of Local Government Services, New Jersey Department of Community Affairs, in cases of significant fiscal distress, the five year period may be extended to up to ten years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19.

The North Bergen Municipal Utilities Authority’s finances and operations may be materially and adversely affected as a result of the continued spread of COVID-19 through reduced or delayed revenue streams, which include the collection of user charges, which are the North Bergen Municipal Utilities Authority’s primary revenue source for supporting its budget. The North Bergen Municipal Utilities Authority cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain its facilities, or costs to operate remotely and support Authority functions and critical government actions during an outbreak or any resulting impact such costs could have on the operations of the Authority. However, as of the date of audit, the overall finances and operations of the Authority have not been materially and adversely affected due to the COVID-19 outbreak.

The degree of any such impact on the operations and finances of the Authority cannot be predicted due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Authority and its economy. The Authority is monitoring the situation and will take such proactive measures as may be required to maintain its functionality and meet its obligations.

**NOTE 17 RESTATEMENT**

The December 31, 2020 financial statements have been restated to reflect revised balances with respect to Other Post-Employment Benefits and net position. The effect of the restatement on the Statement of Net Position is as follows:

	<u>Balance Prior to Restatement</u>	<u>Adjustment</u>	<u>Balance Subsequent to Restatement</u>
Deferred Outflows of Resources			
Deferred Amounts on OPEB Liability		\$6,662,492	\$6,662,492
Net Position			
Net Investment in Capital Assets	\$41,977,311	(19,695,440)	22,281,871
Unrestricted	(37,779,272)	26,357,932	(11,421,340)
Total Net Position	7,866,473	6,662,492	14,528,965

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**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

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

**Postemployment Health Benefit Plan**

**Last Nine Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u> (1)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total OPEB Liability</b>									
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	\$ 947,920	\$ 928,796	\$ 651,679	\$ 516,148					
Interest on Total OPEB Liability	923,166	1,062,875	1,485,586	1,553,323	349,377	360,150	307,123	237,725	240,896
Changes in Assumptions	(269,455)	(8,760,065)	8,883,322						
Benefit Payments	(771,193)	(862,198)	(631,395)	(573,788)	(626,415)	(551,423)	(504,714)	(399,360)	(292,668)
Net Change in Total OPEB Liability	830,438	(7,630,592)	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	45,418,086	53,048,678	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	\$ 46,248,524	\$ 45,418,086	\$ 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	\$ 3,352,063	\$ 3,334,708	\$ 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	1379.70%	1361.98%	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 Nine Years \*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Position Liability (Asset)	0.04629%	0.04687%	0.04686%	0.04720%	0.04760%	0.04500%	0.04540%	0.04841%	0.04742%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,484,597	\$ 7,643,299	\$ 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	\$ 3,352,063	\$ 3,334,708	\$ 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	163.62%	229.20%	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	70.33%	58.32%	56.27%	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 Nine Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Employer Contribution	\$ 542,194	\$ 512,736	\$ 455,907	\$ 469,547	\$ 441,020	\$ 399,755	\$ 390,277	\$ 399,094	\$ 357,320
Contributions in Relation to the Required Employer Contributions	<u>542,194</u>	<u>512,736</u>	<u>455,907</u>	<u>469,547</u>	<u>441,020</u>	<u>399,755</u>	<u>390,277</u>	<u>399,094</u>	<u>357,320</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered- Employee Payroll	\$ 3,437,351	\$ 3,352,063	\$ 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	15.77%	15.30%	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, 2021**

**Change of Benefit Terms:** None.

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



## **SUPPLEMENTARY SCHEDULES**

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
COMBINING STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2021

ASSETS	Solid Waste	Waste Water	Total
<b>Unrestricted Current Assets</b>			
Cash and Cash Equivalents	\$ 4,788,876	\$ 34,981,870	\$ 39,770,746
User Charges Receivable (Net of Allowance for Doubtful Accounts)		2,534,451	2,534,451
Other Accounts Receivable	62,226	-	62,226
Total Unrestricted Current Assets	4,851,102	37,516,321	42,367,423
<b>Restricted Current Assets</b>			
Revenue Account			
Cash and Cash Equivalents		11,450,808	11,450,808
Bond Reserve Account			
Cash and Cash Equivalents		4,493,441	4,493,441
Renewal and Replacement Account			
Cash and Cash Equivalents		2,479,501	2,479,501
Accrued Interest Receivable	-	106	106
Total Restricted Current Assets	-	18,423,856	18,423,856
Total Current Assets	4,851,102	55,940,177	60,791,279
<b>Non-Current Assets</b>			
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		32,953,380	32,953,380
Accumulated Depreciation	(2,877,663)	(77,857,939)	(80,735,602)
Total Capital Assets (Net of Accumulated Depreciation)	733,691	62,411,862	63,145,553
Total Non-Current Assets	733,691	62,411,862	63,145,553
Total Assets	5,584,793	118,352,039	123,936,832
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	89,877	75,048	164,925
Deferred Amounts on Net OPEB Liability	3,025,882	2,526,195	5,552,077
Deferred Amounts of Refunding of Debt	-	22,802	22,802
Total Deferred Outflows of Resources	3,115,759	2,624,045	5,739,804
Total Assets and Deferred Outflows of Resources	8,700,552	120,976,084	129,676,636

Continued

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2021**

LIABILITIES	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
<b>Current Liabilities (Payable from Unrestricted Assets)</b>			
Accounts Payable and Other Liabilities	\$ 287,363	\$ 1,836,938	\$ 2,124,301
Capital Lease Payable	82,191		82,191
Accrued Interest on Bonds and Loans		138,556	138,556
Unearned Revenue	235,591	50,345	285,936
Intergovernmental Loans Payable	-	3,207,175	3,207,175
Total Current Liabilities Payable from Unrestricted Assets	<u>605,145</u>	<u>5,233,014</u>	<u>5,838,159</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>			
Revenue Bonds Payable	-	900,000	900,000
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>900,000</u>	<u>900,000</u>
Total Current Liabilities	<u>605,145</u>	<u>6,133,014</u>	<u>6,738,159</u>
<b>Non-Current Liabilities</b>			
Compensated Absences	225,426	197,450	422,876
Net OPEB Liability	25,205,446	21,043,078	46,248,524
Capital Leases Payable	171,073		171,073
Rebatable Arbitrage Payable		229,755	229,755
Net Pension Liability	2,988,863	2,495,734	5,484,597
Revenue Bonds Payable (Net of Unamortized Premium)		8,371,645	8,371,645
Intergovernmental Loans Payable (Net of Unamortized Premium)	-	30,360,125	30,360,125
Total Non-Current Liabilities	<u>28,590,808</u>	<u>62,697,787</u>	<u>91,288,595</u>
Total Liabilities	<u>29,195,953</u>	<u>68,830,801</u>	<u>98,026,754</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	1,959,463	1,636,173	3,595,636
Deferred Amounts on Net OPEB Liability	3,709,173	3,096,649	6,805,822
Total Deferred Inflows of Resources	<u>5,668,636</u>	<u>4,732,822</u>	<u>10,401,458</u>
Total Liabilities and Deferred Inflows of Resources	<u>34,864,589</u>	<u>73,563,623</u>	<u>108,428,212</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	480,427	28,803,042	29,283,469
Restricted For:			
Bond Reserve Fund		1,005,000	1,005,000
Renewals and Replacements		2,717,748	2,717,748
Unrestricted	(26,644,464)	14,886,671	(11,757,793)
Total Net Position	<u>\$ (26,164,037)</u>	<u>\$ 47,412,461</u>	<u>\$ 21,248,424</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
User Charges		\$ 16,045,740	\$ 16,045,740
Service Charges	\$ 249,170		249,170
Interest on Delinquent Accounts		283,748	283,748
Appropriation - Township of North Bergen	7,299,076	-	7,299,076
	<u>7,548,246</u>	<u>16,329,488</u>	<u>23,877,734</u>
Total Operating Revenues			
<b>OPERATING EXPENSES</b>			
Administration			
Salaries and Wages	292,382	832,985	1,125,367
Fringe Benefits	471,128	98,398	569,526
Other Expenses	181,699	823,821	1,005,520
Cost of Providing Services			
Salaries and Wages	1,966,803	1,053,460	3,020,263
Fringe Benefits	1,790,691	536,507	2,327,198
Other Expenses	3,638,514	6,945,603	10,584,117
Depreciation	44,103	3,305,544	3,349,647
	<u>8,385,320</u>	<u>13,596,318</u>	<u>21,981,638</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(837,074)</u>	<u>2,733,170</u>	<u>1,896,096</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Connection Fees		979,940	979,940
Interest and Investment Income		106,417	106,417
Grants and Entitlements	124,587		124,587
Other Revenues	42,719	5,464	48,183
Other Expenses		(98,260)	(98,260)
Intergovernmental Loan Forgiven		5,000,000	5,000,000
Municipal Appropriation - Debt Service Reimbursement		128,729	128,729
Municipal Contribution		(570,000)	(570,000)
Interest Expense	(9,150)	(887,083)	(896,233)
	<u>158,156</u>	<u>4,665,207</u>	<u>4,823,363</u>
Total Non-Operating Revenues (Expenses)			
Change in Net Position	(678,918)	7,398,377	6,719,459
Total Net Position, January 1, 2021 (Restated)	<u>(25,485,119)</u>	<u>40,014,084</u>	<u>14,528,965</u>
Total Net Position, December 31, 2021	<u>\$ (26,164,037)</u>	<u>\$ 47,412,461</u>	<u>\$ 21,248,424</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers/Municipality	\$ 7,526,690	\$ 16,600,953	\$ 24,127,643
Cash Paid for Goods and Services	(4,069,198)	(7,588,956)	(11,658,154)
Cash Paid for Employees Salaries, Wages and Benefits	(3,791,645)	(3,465,766)	(7,257,411)
Net Cash Provided by (Used for) Operating Activities	(334,153)	5,546,231	5,212,078
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Grants and Entitlements	98,909		98,909
Municipal Contribution		(570,000)	(570,000)
Connection Fees		979,940	979,940
Miscellaneous	42,719	(92,796)	(50,077)
Net Cash Provided by Noncapital Financing Activities	141,628	317,144	458,772
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Payments on Revenue Bonds		(900,000)	(900,000)
Principal Payments on Intergovernmental Loans		(2,965,504)	(2,965,504)
Principal Payments on Capital Leases	(111,378)		(111,378)
Municipal Appropriation - Debt Service Reimbursement		128,729	128,729
Interest Paid	(9,150)	(397,725)	(406,875)
Acquisition of Capital Assets	-	(2,316,918)	(2,316,918)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(120,528)	(6,451,418)	(6,571,946)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	-	31,965	31,965
Net Cash Provided by Investing Activities	-	31,965	31,965
Net Increase (Decrease) in Cash and Cash Equivalents	(313,053)	(556,078)	(869,131)
Cash and Cash Equivalents, January 1, 2021	5,101,929	53,961,698	59,063,627
Cash and Cash Equivalents, December 31, 2021	<u>\$ 4,788,876</u>	<u>\$ 53,405,620</u>	<u>\$ 58,194,496</u>
Analysis of Cash and Cash Equivalents			
Unrestricted	\$ 4,788,876	\$ 34,981,870	\$ 39,770,746
Restricted	-	18,423,750	18,423,750
	<u>\$ 4,788,876</u>	<u>\$ 53,405,620</u>	<u>\$ 58,194,496</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (837,074)	\$ 2,733,170	\$ 1,896,096
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	44,103	3,305,544	3,349,647
(Increase)/Decrease in User Charges Receivable		271,215	271,215
(Increase)/Decrease in Other Accounts Receivable	(21,556)	250	(21,306)
(Increase)/Decrease in Deferred Outflows -			
Deferred Amounts on Net Pension Liability	354,339	282,764	637,103
Deferred Amounts on Net OPEB Liability	527,773	582,642	1,110,415
Increase/(Decrease) in Accounts Payable and Other Liabilities	(248,985)	180,468	(68,517)
Increase/(Decrease) in Accrued Compensated Absences	19,650	(65,859)	(46,209)
Increase/(Decrease) in Net OPEB Liability	1,333,191	(502,753)	830,438
Increase/(Decrease) in Net Pension Liability	(1,244,497)	(914,205)	(2,158,702)
Increase/(Decrease) in Deferred Inflows -			
Deferred Amounts on Net Pension Liability	118,135	152,998	271,133
Deferred Amounts on Net OPEB Liability	(379,232)	(480,003)	(859,235)
Total Adjustments	502,921	2,813,061	3,315,982
Net Cash Provided by (Used for) Operating Activities	\$ (334,153)	\$ 5,546,231	\$ 5,212,078
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Amortization of Loan Premium		\$ (28,965)	\$ (28,965)
Deferred Amounts on Refunding of Debt		7,601	7,601
Interest Expense/Accreted Value of Capital Appreciation			
Revenue Bonds		480,357	480,357

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, 2021  
(With Comparative Amounts for the Year Ended December 31, 2020)

	2021 <u>Amended Budget</u>	2021 <u>Actual</u>	Variance Excess (Deficit)	2020 <u>Actual</u>
<b>REVENUES</b>				
<b>OPERATING REVENUES</b>				
Service Charges	\$ 248,088	\$ 249,170	\$ 1,082	\$ 244,020
Appropriation - Township of North Bergen	7,299,076	7,299,076	-	7,087,330
Total Operating Revenues	7,547,164	7,548,246	1,082	7,331,350
<b>NON-OPERATING REVENUES</b>				
Grants and Entitlements	76,000	124,587	48,587	147,775
Other Revenues	121,357	42,719	(78,638)	6,205
Total Non-Operating Revenues	197,357	167,306	(30,051)	153,980
Total Solid Waste Revenues	7,744,521	7,715,552	(28,969)	7,485,330
<b>APPROPRIATIONS</b>				
<b>OPERATING APPROPRIATIONS</b>				
Administration				
Salaries and Wages	306,800	292,382	14,418	300,883
Fringe Benefits	454,000	379,278	74,722	295,984
Other Expenses	320,800	181,699	139,101	309,807
Cost of Providing Services				
Salaries and Wages	2,071,221	1,966,803	104,418	1,907,443
Fringe Benefits	1,066,000	1,157,219	(91,219)	1,081,601
Other Expenses	3,405,171	3,638,514	(233,343)	3,569,348
Total Operating Appropriations	7,623,992	7,615,895	8,097	7,465,066
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payments on Debt	111,379	111,378	1	232,491
Interest on Debt	9,150	9,150	-	1,276
Total Non-Operating Appropriations	120,529	120,528	1	233,767
Total Solid Waste Appropriations	7,744,521	7,736,423	8,098	7,698,833
Total Budgetary Income (Loss)		(20,871)		(213,503)
<b>Reconciliation to Change in Net Position - GAAP</b>				
Increases to Budgetary Income:				
Principal Payments on Debt		111,378		232,491
Decreases to Budgetary Income				
Depreciation Expense		(44,103)		(88,207)
Other Post-Retirement Benefit Expense		(1,481,732)		(816,652)
Accrued Pension Expense		756,410		153,378
Change in Net Position - GAAP		\$ (678,918)		\$ (732,493)



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, 2021  
 (With Comparative Amounts for the Year Ended December 31, 2020)

	2021 <u>Amended Budget</u>	23021 <u>Actual</u>	Variance Excess (Deficit)	2020 <u>Actual</u>
<b>REVENUES</b>				
<b>OPERATING REVENUES</b>				
User Charges	\$ 15,300,000	\$ 16,045,740	\$ 745,740	\$ 16,229,977
Interest on Delinquent Accounts	<u>210,000</u>	<u>283,748</u>	<u>73,748</u>	<u>295,795</u>
Total Operating Revenues	<u>15,510,000</u>	<u>16,329,488</u>	<u>819,488</u>	<u>16,525,772</u>
<b>NON-OPERATING REVENUES</b>				
Connection Fees	700,000	979,940	279,940	973,419
Interest and Investment Income	500,000	106,417	(393,583)	234,065
Appropriation - Township of North Bergen, Debt Service				
Reimbursement	128,729	128,729		132,629
Other Revenues	<u>-</u>	<u>5,464</u>	<u>5,464</u>	<u>37,982</u>
Total Non-Operating Revenues	<u>1,328,729</u>	<u>1,220,550</u>	<u>(108,179)</u>	<u>1,378,095</u>
Total Waste Water Revenues	<u>16,838,729</u>	<u>17,550,038</u>	<u>711,309</u>	<u>17,903,867</u>
<b>APPROPRIATIONS</b>				
<b>OPERATING APPROPRIATIONS</b>				
Administration				
Salaries and Wages	799,680	832,985	(33,305)	738,903
Fringe Benefits	599,000	478,678	120,322	439,941
Other Expenses	1,094,800	823,821	270,979	642,950
Cost of Providing Services				
Salaries and Wages	1,396,380	1,053,460	342,920	1,039,887
Fringe Benefits	1,138,000	1,020,939	117,061	975,559
Other Expenses	<u>8,289,310</u>	<u>6,945,603</u>	<u>1,343,707</u>	<u>7,037,517</u>
Total Operating Appropriations	<u>13,317,170</u>	<u>11,155,486</u>	<u>2,161,684</u>	<u>10,874,757</u>

**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, 2021**  
 (With Comparative Amounts for the Year Ended December 31, 2020)  
 (Continued)

	2021 <u>Amended Budget</u>	2021 <u>Actual</u>	Variance Excess (Deficit)	2020 <u>Actual</u>
<b>APPROPRIATIONS (Continued)</b>				
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal on Payment of Debt	\$ 3,167,650	\$ 3,865,504	\$ (697,854)	\$ 3,570,636
Interest Expense	722,343	428,086	294,257	239,587
Municipal Contribution	570,000	570,000		500,000
Other Expenses	<u>-</u>	<u>98,260</u>	<u>(98,260)</u>	<u>295,031</u>
Total Non-Operating Appropriations	<u>4,459,993</u>	<u>4,961,850</u>	<u>(501,857)</u>	<u>4,605,254</u>
Total Waste Water Appropriations	<u>17,777,163</u>	<u>16,117,336</u>	<u>1,659,827</u>	<u>15,480,011</u>
Total Budgetary Income	(938,434)	1,432,702		2,423,856
<b>Reconciliation to Change in Net Position - GAAP</b>				
Increases to Budgetary Income:				
Principal Payments on Debt		3,865,504		3,570,636
Amortization Expense - Original Issue Premiums		28,965		31,501
Intergovernmental Loan Forgiven		5,000,000		
Decreases to Budgetary Income				
Depreciation Expense		(3,305,544)		(3,312,722)
Other Post-Retirement Benefit Expense		400,114		(281,409)
Accrued Pension Expense		464,594		(147,806)
Interest Expense - Accreted Value of Capital Appreciation Revenue Bonds		(480,357)		(497,046)
Amortization Expense - Deferred Amounts on Refunding of Debt		<u>(7,601)</u>		<u>(7,601)</u>
<b>Change in Net Position - GAAP</b>		<u>\$ 7,398,377</u>		<u>\$ 1,779,409</u>

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities of Bonds</u>		<u>Balance January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2021</u>
			<u>Date</u>	<u>Amount</u>				
Sewer Revenue Subordinated Capital Appreciation Bonds	12/27/2007	\$ 5,676,013	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				
					\$ 9,691,288	\$ 480,357	\$ 900,000	\$ 9,271,645
					<u>\$ 9,691,288</u>	<u>\$ 480,357</u>	<u>\$ 900,000</u>	<u>9,271,645</u>
Less: Current Portion of Bonds Payable								<u>900,000</u>
Total Long-Term Portion of Bonds Payable								<u>\$ 8,371,645</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY**  
**ROSTER OF OFFICIALS**  
**AS OF DECEMBER 31, 2021**

**Board of Commissioners**

	<b><u>Position</u></b>
Salvatore DeSantis	Chairman
Frank Piazza	Vice Chairman
Ted Goscinski	Board Member
Felix Henriquez	Board Member
Joseph Lombardi	Board Member

**Executive Staff**

Frank Pestana	Executive Director
Patricia Bartoli	Chief Financial Officer
Maria Hernandez	Clerk to the Board

**Consultants and Advisors**

John Napolitano, Esq.	General Counsel
Boswell Engineering	Consulting Engineers

## **GOVERNMENT AUDITING STANDARDS REPORT**

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LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRISTOPHER VINCI, CPA, PSA  
CHRISTINA CUIFFO, 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, 2021, 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 28, 2022.

***Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the North Bergen Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Bergen Municipal Utilities Authority's internal control.

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

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

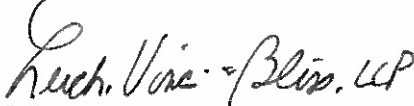
### ***Report on Compliance and Other Matters***


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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we have reported to management of the 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 & BLISS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
July 28, 2022



SCHEDULE 11

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2021 Grant Receipts</u>	<u>Balance, December 31, 2020</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2021</u>	<u>Cumulative Expenditures</u>
<b>Department of Environmental Protection</b>									
Recycling Tonnage Grant	4900-752-001	2018	\$ 95,993		\$ 67,994		\$ 67,994		\$ 95,993
Recycling Tonnage Grant	4900-752-001	2019	76,561		76,561		56,593	19,968	56,593
Recycling Tonnage Grant	4900-752-001	2020	116,714		116,714			116,714	
Recycling Tonnage Grant	4900-752-001	2021	98,909	\$ 98,909		\$ 98,909		98,909	
Environmental Infrastructure Trust	S340652-14	2017	19,892,894		-	8,666	8,666	-	19,895,940
					\$ 261,269	\$ 107,575	\$ 133,253	\$ 235,591	

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**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:

	<u>Total</u>	<u>Operating</u>	<u>Capital</u>
State	\$ <u>133,253</u>	\$ <u>124,587</u>	\$ <u>8,666</u>

**NOTE 4 STATE LOANS OUTSTANDING**

The Authority's state loans outstanding at December 31, 2021 are as follows:

	<u>2021</u>
New Jersey Infrastructure Trust	
2007 Trust Loan Payable - Waste Water System	\$ 4,300,000
2010 Trust Loan Payable - Waste Water System	360,000
2013 Trust Loan Payable - Waste Water System	480,000
2014 Trust Loan Payable - Waste Water System	1,020,000
2021 Trust Loan Payable - Waste Water System	2,530,000
2007 Fund Loan Payable - Waste Water System	9,076,985
2010 Fund Loan Payable - Waste Water System	971,027
2013 Fund Loan Payable - Waste Water System	1,320,000
2014 Fund Loan Payable - Waste Water System	1,465,688
2021 Fund Loan Payable - Waste Water System	<u>11,921,385</u>
	<u>\$ 33,445,085</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

*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

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2021**

*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  
GENERAL COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Our audit indicated that certain employees received cell phone and/or vehicle allowances in addition to their base pay, which were not included in the employment agreement. It is recommended that employee allowances be specifically approved in the employment contract.

A review was performed on the prior year recommendation. Corrective action has been taken on the prior year recommendations.

**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.