

**NORTH BERGEN MUNICIPAL
UTILITIES AUTHORITY
(A Component Unit of the Township of North Bergen)
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor’s Report	1-3
	Management’s Discussion and Analysis	4-8
	Basic Financial Statements	
A	Comparative Statements of Net Position	9-10
B	Comparative Statements of Revenues, Expenses and Changes in Net Position	11
C	Comparative Statements of Cash Flows	12-13
	Notes to the Financial Statements	14-45
	Required Supplementary Information (RSI)	
1	Schedule of Changes in Other Postemployment Benefit Liability	46
2	Schedule of the Authority’s Proportionate Share of the Net Pension Liability	47
3	Schedule of the Authority’s Contributions – Public Employees’ Retirement System	48
4	Schedule of Authority’s Proportionate Share of Net Pension Liability and Schedule of Authority’s Contributions Notes to Required Supplementary Information	49
	Supplementary Schedules	
5	Combining Statement of Net Position	50-51
6	Combining Statement of Revenues, Expenses and Changes in Net Position	52
7	Combining Statement of Cash Flows	53-54
8	Schedule of Revenues and Expenses Compared to Budget – Solid Waste Division	55
9	Schedule of Revenues and Expenses Compared to Budget – Waste Water Division	56-57
10	Schedule of Revenue Bonds Payable	58
	Roster of Officials as of December 31, 2023	59
	Government Auditing Standards Report	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Preferred in Accordance with Government Auditing Standards – Independent Auditor’s Report	60-61
	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance As Required by New Jersey OMB Circular 15-08	62-64
11	Schedule of Expenditures of Federal Awards	65
12	Schedule of Expenditures of State Financial Assistance	66
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	67-68
	Schedule of Findings and Questioned Costs	69-71
	Summary Schedule of Prior-Year Audit Findings	72
	General Comments and Recommendations	73



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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, 2023 and 2022, 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, 2023 and 2022, 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

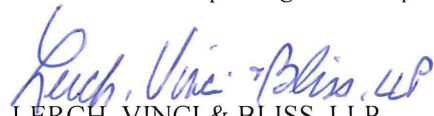
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and other postemployment benefits information be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 basic financial statements of the North Bergen Municipal Utilities Authority as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, and schedule of expenditures of state financial assistance as required by NJ OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2024 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 CR000411

Fair Lawn, New Jersey
July 2, 2024

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, 2023. 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 (2023) and the previous two years (2022 and 2021) 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, 2023 by \$34,179,830.
- The Authority's total net position increased \$6,208,493.
- Operating Revenues increased \$153,221.
- Operating Expenses increased \$1,372,467.
- The Authority ended the December 31, 2023 year with operating income of \$3,771,379.

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, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets		(Restated)	(Restated)
Current and Other Assets	\$ 66,488,814	\$ 62,511,951	\$ 60,791,279
Capital Assets (Net of Accumulated Depreciation)	<u>60,782,520</u>	<u>62,503,664</u>	<u>63,145,553</u>
 Total Assets	 <u>127,271,334</u>	 <u>125,015,615</u>	 <u>123,936,832</u>
 Deferred Outflows of Resources	 <u>5,338,475</u>	 <u>5,330,311</u>	 <u>5,739,804</u>
Total Assets and Deferred Outflows of Resources	<u>132,609,809</u>	<u>130,345,926</u>	<u>129,676,636</u>
 Liabilities			
Non-Current Liabilities	75,715,430	76,112,967	90,862,595
Other Liabilities	<u>6,251,522</u>	<u>5,861,561</u>	<u>6,738,159</u>
 Total Liabilities	 <u>81,966,952</u>	 <u>81,974,528</u>	 <u>97,600,754</u>
 Deferred Inflows of Resources	 <u>16,463,027</u>	 <u>20,400,061</u>	 <u>10,401,458</u>
Total Liabilities and Deferred Outflows of Resources	<u>98,429,979</u>	<u>102,374,589</u>	<u>108,002,212</u>
 Net Position			
Net Investment in Capital Assets	33,977,711	32,439,978	29,709,469
Restricted	3,918,370	3,821,609	3,722,748
Unrestricted	<u>(3,716,251)</u>	<u>(8,290,250)</u>	<u>(11,757,793)</u>
 Total Net Position	 <u>\$ 34,179,830</u>	 <u>\$ 27,971,337</u>	 <u>\$ 21,674,424</u>

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

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

The Authority's Net Position increased \$6,208,493 and \$6,296,913 for the years ended December 31, 2023 and 2022, respectively.

OPERATING ACTIVITIES

The following table summarizes the Revenues, Expenses and Changes in Net Position for the years ended December 31, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES			
User and Service Charges	\$ 17,023,302	\$ 17,289,446	\$ 16,294,910
Interest on Delinquent Accounts	349,592	224,586	283,748
Appropriation - Township of North Bergen	<u>7,931,359</u>	<u>7,637,000</u>	<u>7,299,076</u>
Total Operating Revenues	<u>25,304,253</u>	<u>25,151,032</u>	<u>23,877,734</u>
OPERATING EXPENSES			
Administration	2,999,753	2,831,512	2,700,413
Cost of Providing Services	15,201,410	14,027,651	15,931,578
Depreciation	<u>3,331,711</u>	<u>3,301,244</u>	<u>3,349,647</u>
Total Operating Expenses	<u>21,532,874</u>	<u>20,160,407</u>	<u>21,981,638</u>
Operating Income	<u>3,771,379</u>	<u>4,990,625</u>	<u>1,896,096</u>
NON-OPERATING REVENUES (EXPENSES)			
Revenues	3,706,143	2,549,606	6,387,856
Expenses	<u>(1,269,029)</u>	<u>(1,243,318)</u>	<u>(1,564,493)</u>
Total Non-Operating Income (Expenses)	<u>2,437,114</u>	<u>1,306,288</u>	<u>4,823,363</u>
Change in Net Position	<u>\$ 6,208,493</u>	<u>\$ 6,296,913</u>	<u>\$ 6,719,459</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, 2023, 2022 and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Building and Building Improvements	392,874	443,673	520,951
Sewerage Treatment Plants and Improvements	343,430	444,517	545,604
Pump Stations and Sewer Lines	20,174,346	23,247,470	26,320,850
Vehicles and Equipment	590,397	255,269	304,768
Construction in Progress	<u>36,781,473</u>	<u>35,612,735</u>	<u>32,953,380</u>
Total	<u>\$ 60,782,520</u>	<u>\$ 62,503,664</u>	<u>\$ 63,145,553</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, 2023, 2022 and 2021.

	<u>2023</u>	<u>2022</u> (Restated)	<u>2021</u> (Restated)
Intergovernmental Loans	\$ 26,653,375	\$ 29,811,910	\$ 33,019,085
Revenue Bonds	8,276,543	8,833,885	9,271,645
Capital Leases	<u>86,672</u>	<u>171,073</u>	<u>253,264</u>
	<u>\$ 35,016,590</u>	<u>\$ 38,816,868</u>	<u>\$ 42,543,994</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 2024 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, 2023 AND 2022

	<u>2023</u>	<u>2022</u> (Restated)
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 48,301,199	\$ 44,234,772
User Charges Receivable (Net of Allowance for Doubtful Accounts)	2,996,113	3,131,767
Other Accounts Receivable	<u>43,600</u>	<u>21,364</u>
Total Unrestricted Current Assets	<u>51,340,912</u>	<u>47,387,903</u>
Restricted Current Assets		
Revenue Account		
Cash and Cash Equivalents	7,707,705	8,022,452
Bond Reserve Account		
Cash and Cash Equivalents	4,748,421	4,538,709
Renewal and Replacement Account		
Cash and Cash Equivalents	2,620,441	2,504,710
Accrued Interest Receivable	<u>71,335</u>	<u>58,177</u>
Total Restricted Current Assets	<u>15,147,902</u>	<u>15,124,048</u>
Total Current Assets	<u>66,488,814</u>	<u>62,511,951</u>
Non-Current Assets		
Capital Assets		
Land	2,500,000	2,500,000
Site Improvements	55,934	35,875
Buildings and Building Improvements	2,573,880	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	5,168,492	4,753,672
Construction in Progress	36,781,473	35,612,735
Accumulated Depreciation	<u>(87,368,557)</u>	<u>(84,036,846)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>60,782,520</u>	<u>62,503,664</u>
Total Non-Current Assets	<u>60,782,520</u>	<u>62,503,664</u>
Total Assets	<u>127,271,334</u>	<u>125,015,615</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	480,419	873,447
Deferred Amounts on OPEB Liability	4,850,455	4,441,662
Deferred Amounts on Refunding of Debt	<u>7,601</u>	<u>15,202</u>
Total Deferred Outflows of Resources	<u>5,338,475</u>	<u>5,330,311</u>
Total Assets and Deferred Outflows of Resources	<u>132,609,809</u>	<u>130,345,926</u>

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u> (Restated)
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 1,603,629	\$ 1,291,408
Capital Lease Payable	86,672	84,401
Accrued Interest on Bonds, Notes and Loans	102,759	120,088
Unearned Revenue	275,153	207,129
Intergovernmental Loans Payable	<u>3,183,309</u>	<u>3,158,535</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>5,251,522</u>	<u>4,861,561</u>
Current Liabilities (Payable from Restricted Assets)		
Revenue Bonds Payable	<u>1,000,000</u>	<u>1,000,000</u>
Total Current Liabilities Payable from Restricted Assets	<u>1,000,000</u>	<u>1,000,000</u>
Total Current Liabilities	<u>6,251,522</u>	<u>5,861,561</u>
Non-Current Liabilities		
Compensated Absences	426,851	403,702
Net OPEB Liability	35,160,199	32,282,985
Capital Leases Payable	-	86,672
Rebatable Arbitrage Payable	331,687	199,382
Net Pension Liability	6,953,355	7,469,133
NJIB Note Payable	2,024,366	1,087,929
Revenue Bonds Payable (Net of Unamortized Premium)	7,276,543	7,833,885
Intergovernmental Loans Payable (Net of Unamortized Premium)	<u>23,542,429</u>	<u>26,749,279</u>
Total Non-Current Liabilities	<u>75,715,430</u>	<u>76,112,967</u>
Total Liabilities	<u>81,966,952</u>	<u>81,974,528</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	703,804	1,269,992
Deferred Amounts on Net OPEB Liability	<u>15,759,223</u>	<u>19,130,069</u>
Total Deferred Inflows of Resources	<u>16,463,027</u>	<u>20,400,061</u>
Total Liabilities and Deferred Inflows of Resources	<u>98,429,979</u>	<u>102,374,589</u>
NET POSITION		
Net Investment in Capital Assets	33,977,711	32,439,978
Restricted For:		
Bond Reserve Fund	1,005,000	1,005,000
Renewals and Replacements	2,913,370	2,816,609
Unrestricted	<u>(3,716,251)</u>	<u>(8,290,250)</u>
Total Net Position	<u>\$ 34,179,830</u>	<u>\$ 27,971,337</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u> (Restated)
OPERATING REVENUES		
User Charges	\$ 16,754,070	\$ 17,033,075
Service Charges	269,232	256,371
Interest on Delinquent Accounts	349,592	224,586
Appropriation - Township of North Bergen	<u>7,931,359</u>	<u>7,637,000</u>
Total Operating Revenues	<u>25,304,253</u>	<u>25,151,032</u>
OPERATING EXPENSES		
Administration		
Salaries and Wages	1,094,268	1,124,767
Fringe Benefits	1,074,386	977,182
Other Expenses	831,099	729,563
Cost of Providing Services		
Salaries and Wages	3,332,109	3,082,158
Fringe Benefits	412,656	606,194
Other Expenses	11,456,645	10,339,299
Depreciation	<u>3,331,711</u>	<u>3,301,244</u>
Total Operating Expenses	<u>21,532,874</u>	<u>20,160,407</u>
Operating Income	<u>3,771,379</u>	<u>4,990,625</u>
NON-OPERATING REVENUES (EXPENSES)		
Connection Fees	729,548	1,078,440
Interest and Investment Income	2,556,326	729,136
Grants and Entitlements	290,840	164,960
Cancelled Prior Year Accounts Payable		447,681
Municipal Appropriation - Debt Service Reimbursement	129,429	129,389
Municipal Contribution	(570,000)	(570,000)
Interest Expense	<u>(699,029)</u>	<u>(673,318)</u>
Total Non-Operating Revenues (Expenses)	<u>2,437,114</u>	<u>1,306,288</u>
Change in Net Position	6,208,493	6,296,913
Total Net Position, January 1	<u>27,971,337</u>	<u>21,674,424</u>
Total Net Position, December 31	<u>\$ 34,179,830</u>	<u>\$ 27,971,337</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers/Municipality	\$ 25,417,662	\$ 24,594,578
Cash Paid for Goods and Services	(11,572,639)	(11,454,074)
Cash Paid for Employees Salaries, Wages and Benefits	<u>(8,312,678)</u>	<u>(7,389,982)</u>
Net Cash Provided by Operating Activities	<u>5,532,345</u>	<u>5,750,522</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants and Entitlements	358,864	86,153
Municipal Contribution	(570,000)	(570,000)
Connection Fees	<u>729,548</u>	<u>1,078,440</u>
Net Cash Provided by Noncapital Financing Activities	<u>518,412</u>	<u>594,593</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Revenue Bonds	(1,000,000)	(900,000)
Principal Payments on Intergovernmental Loans	(3,158,535)	(3,207,175)
Principal Payments on Capital Leases	(84,401)	(82,191)
NJIB Note Proceeds	936,437	1,087,929
Municipal Appropriation - Debt Service Reimbursement	129,429	129,389
Interest Paid	(272,309)	(248,257)
Acquisition of Capital Assets	<u>(1,182,354)</u>	<u>(2,659,355)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(4,631,733)</u>	<u>(5,879,660)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>2,658,099</u>	<u>640,692</u>
Net Cash Provided by Investing Activities	<u>2,658,099</u>	<u>640,692</u>
Net Increase in Cash and Cash Equivalents	4,077,123	1,106,147
Cash and Cash Equivalents, January 1	<u>59,300,643</u>	<u>58,194,496</u>
Cash and Cash Equivalents, December 31	<u>\$ 63,377,766</u>	<u>\$ 59,300,643</u>
Analysis of Cash and Cash Equivalents, December 31,		
Unrestricted	\$ 48,301,199	\$ 44,234,772
Restricted	<u>15,076,567</u>	<u>15,065,871</u>
	<u>\$ 63,377,766</u>	<u>\$ 59,300,643</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 3,771,379	\$ 4,990,625
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,331,711	3,301,244
(Increase)/Decrease in User Charges Receivable	135,645	(597,316)
(Increase)/Decrease in Other Accounts Receivable	(22,236)	40,862
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net Pension Liability	393,028	(708,522)
(Increase)/Decrease in Deferred Outflows - Deferred Amounts on Net OPEB Liability	(408,793)	1,110,415
Increase/(Decrease) in Accounts Payable	(115,994)	(385,212)
Increase/(Decrease) in Accrued Compensated Absences	23,149	(19,174)
Increase/(Decrease) in Post Retirement Benefits Payable	2,877,268	(13,965,539)
Increase/(Decrease) in Net Pension Liability	(515,778)	1,984,536
Increase/(Decrease) in Deferred Inflows - Deferred Amounts on Net Pension Liability	(566,188)	(2,325,644)
Deferred Amounts on OPEB Liability	<u>(3,370,846)</u>	<u>12,324,247</u>
Total Adjustments	<u>1,760,966</u>	<u>759,897</u>
Net Cash Provided by Operating Activities	<u>\$ 5,532,345</u>	<u>\$ 5,750,522</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of Loan Premium	\$ (23,541)	(26,311)
Deferred Amounts on Refunding of Debt	7,601	7,600
Interest Expense/Accreted Value of Capital Appreciation Revenue Bonds	442,658	462,240

NOTES TO THE FINANCIAL STATEMENTS

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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.

Governmental 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, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards

During fiscal years 2023, the Authority implemented the following GASB statements:

- GASB Statement No. 96, *Subscription – Based Information Technology Arrangements*. 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 Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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

- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, will be effective beginning with the fiscal year ending December 31, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- GASB Statement No. 101, *Compensated Absences*, will be effective beginning with the fiscal year ending December 31, 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.
- GASB Statement No. 102, *Certain Risk Disclosures*, will be effective beginning with the fiscal year ended December 31, 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2023 AND 2022**

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.

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

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

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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.

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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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 \$818,671 and \$1,015,366 at December 31, 2023 and 2022, respectively, was established to designate the portion of the unrestricted net position utilized to balance the subsequent year's budgets.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 CREATION OF FUNDS

At December 31, 2023 and 2022 the unrestricted net position balances were as follows:

	<u>2023</u>	<u>2022</u>
Designated for Subsequent Year's Budget	\$ 818,671	\$ 1,015,366
Undesignated *	<u>(4,534,922)</u>	<u>(9,305,616)</u>
	<u>\$ (3,716,251)</u>	<u>\$ (8,290,250)</u>

* The undesignated net position deficits as of December 31, 2023 and 2022 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, 2023 and 2022 is \$48,710,785 and \$45,531,454, respectively.

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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 CREATION OF FUNDS (Continued)

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

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

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

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

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

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

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

NOTE 4 CASH DEPOSITS AND INVESTMENTS

Cash Deposits - The Authority's cash deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect intermingled trust funds, bail funds, withholdings from an employee's salary or funds which may pass to the local government upon the happening of a future condition.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 CASH DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits (Continued)

Bank balances at December 31, 2023 and 2022 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, 2023 and 2022, the book value of the Authority's deposits were \$54,598,633 and \$50,943,846, respectively, and bank balances of the Authority's cash deposits amounted to \$53,655,420 and \$49,693,501, respectively.

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

	<u>2023</u>	<u>2022</u>
Insured		
Restricted	\$ 14,583,355	\$ 14,980,255
Unrestricted	39,032,072	34,676,235
Uninsured and Collateralized		
Unrestricted	<u>39,993</u>	<u>37,041</u>
	<u>\$ 53,655,420</u>	<u>\$ 49,693,531</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, 2023 and 2022, the Authority's bank balance of \$39,993 and \$37,041 was exposed to custodial credit risk as follows:

	<u>2023</u>	<u>2022</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not, in the Authority's name	<u>\$ 39,993</u>	<u>\$ 37,041</u>

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

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

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Authority is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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, 2023 and 2022, the Authority had the following investments:

<u>Investment</u>	<u>Fair Value</u>	
	<u>2023</u>	<u>2022</u>
NJ Cash Management Fund	<u>\$ 8,779,133</u>	<u>\$ 8,356,797</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Authority does not have a policy for custodial credit risk. As of December 31, 2023 and 2022, \$8,779,133 and \$8,356,797 of the Authority’s investments were exposed to custodial credit risk as follows:

	<u>2023</u>	<u>2022</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Authority's name	<u>\$ 8,779,133</u>	<u>\$ 8,356,797</u>

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Authority does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Authority’s investment in a single issuer. The Authority places no limit in the amount the Authority may invest in any one issuer. More than five (5) percent of the Authority’s investments are in the New Jersey Cash Management Fund. These investments are 100% of the Authority’s total investments.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value of Investments. The North Bergen Municipal Utilities Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs.

Investments are valued based on price data obtained from observed transactions and market price quotations provided by N.J. Cash Management Fund. Since the value is not obtained from a quoted price in an active market the investments held by the Authority at December 31, 2023 and 2022 are categorized as Level 2.

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, 2023 and 2022, including the applicable allowance for doubtful accounts, consisted of the following:

	<u>2023</u>	<u>2022</u>
Gross User Charges Receivable	\$ 3,239,321	\$ 3,342,554
Less: Allowance for Doubtful Accounts	<u>(243,208)</u>	<u>(210,787)</u>
Net User Charges Receivable	<u>\$ 2,996,113</u>	<u>\$ 3,131,767</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7 UNEARNED REVENUE

Unearned revenue is reported in connection with resources that have been received, but not yet earned. At December 31, 2023 and 2022 the following was reported as unearned revenue:

	<u>2023</u>	<u>2022</u>
Solid Waste Recycling Grant	\$ 224,808	\$ 156,784
Insurance Proceeds	<u>50,345</u>	<u>50,345</u>
Total Unearned Revenue	<u>\$ 275,153</u>	<u>\$ 207,129</u>

NOTE 8 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022 was as follows:

	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2023</u>
Capital Assets, Not Being Depreciated				
Land	\$ 2,500,000			\$ 2,500,000
Construction in Progress	<u>35,612,735</u>	<u>\$ 1,168,738</u>	<u>-</u>	<u>36,781,473</u>
Total Capital Assets, Not Being Depreciated	<u>38,112,735</u>	<u>1,168,738</u>	<u>-</u>	<u>39,281,473</u>
Capital Assets, Being Depreciated				
Site Improvements	35,875	20,059		55,934
Buildings and Building Improvements	2,566,930	6,950		2,573,880
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>414,820</u>	<u>-</u>	<u>5,168,492</u>
Total Capital Assets Being Depreciated	<u>108,427,775</u>	<u>441,829</u>	<u>-</u>	<u>108,869,604</u>
Less Accumulated Depreciation for				
Site Improvements	(35,875)	(1,003)		(36,878)
Building and Building Improvements	(2,123,257)	(76,805)		(2,200,062)
Sewerage Treatment Plants and Improvements	(27,775,105)	(101,087)		(27,876,192)
Pump Stations and Sewer Lines	(49,604,206)	(3,073,124)		(52,677,330)
Vehicles and Equipment	<u>(4,498,403)</u>	<u>(79,692)</u>	<u>-</u>	<u>(4,578,095)</u>
Total Accumulated Depreciation	<u>(84,036,846)</u>	<u>(3,331,711)</u>	<u>-</u>	<u>(87,368,557)</u>
Total Capital Assets, Being Depreciated, Net	<u>24,390,929</u>	<u>(2,889,882)</u>	<u>-</u>	<u>21,501,047</u>
Total Capital Assets, Net	<u>\$ 62,503,664</u>	<u>\$ (1,721,144)</u>	<u>\$ -</u>	<u>\$ 60,782,520</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 8 CAPITAL ASSETS (Continued)

	Balance January 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2022</u>
Capital Assets, Not Being Depreciated				
Land	\$ 2,500,000			\$ 2,500,000
Construction in Progress	<u>32,953,380</u>	\$ 2,659,355	<u>-</u>	<u>35,612,735</u>
Total Capital Assets, Not Being Depreciated	<u>35,453,380</u>	<u>2,659,355</u>	<u>-</u>	<u>38,112,735</u>
Capital Assets, Being Depreciated				
Site Improvements	35,875			35,875
Buildings and Building Improvements	2,566,930			2,566,930
Sewerage Treatment Plants and Improvements	28,219,622			28,219,622
Pump Stations and Sewer Lines	72,851,676			72,851,676
Vehicles and Equipment	<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>
Less Accumulated Depreciation for				
Site Improvements	(35,875)			(35,875)
Building and Building Improvements	(2,045,979)	(77,278)		(2,123,257)
Sewerage Treatment Plants and Improvements	(27,674,018)	(101,087)		(27,775,105)
Pump Stations and Sewer Lines	(46,530,826)	(3,073,380)		(49,604,206)
Vehicles and Equipment	<u>(4,448,904)</u>	<u>(49,499)</u>	<u>-</u>	<u>(4,498,403)</u>
Total Accumulated Depreciation	<u>(80,735,602)</u>	<u>(3,301,244)</u>	<u>-</u>	<u>(84,036,846)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,692,173</u>	<u>(3,301,244)</u>	<u>-</u>	<u>24,390,929</u>
Total Capital Assets, Net	<u>\$ 63,145,553</u>	<u>\$ (641,889)</u>	<u>\$ -</u>	<u>\$ 62,503,664</u>

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, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Sewer Revenue Subordinated Capital Appreciation Bonds, Series 2007 Capital Appreciation Bonds Payable Due December 15, 2022 to December 15, 2034 (Includes Accretion of \$5,026,490 and \$5,033,489 through December 31, 2023 and 2022, respectively).	<u>\$ 8,276,543</u>	<u>\$ 8,833,885</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 9 LONG-TERM LIABILITIES (Continued)

Intergovernmental Loans Payable – The Authority has entered into loan agreements with the New Jersey Infrastructure Bank (the “NJIB”) 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, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u> (Restated)
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	\$ 2,649,000	\$ 3,234,000
2010 Trust Loan Payable - Waste Water System		
3.50% to 5.00% due in annual installments on August 1 through 2029	109,000	237,000
2013 Trust Loan Payable - Waste Water System		
1.17% to 3.18% due in annual installments on August 1 through 2032	410,000	445,000
2014 Trust Loan Payable - Waste Water System		
3.00% to 5.00% due in annual installments on August 1 through 2033	880,000	950,000
2021 Trust Loan Payable - Waste Water System		
2.00% to 5.00% due in annual installments on August 1 through 2050	2,425,000	2,480,000
2007 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2027	6,049,792	7,561,569
2010 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2029	728,271	849,649
2013 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2032	1,080,000	1,200,000
2014 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2033	1,223,091	1,344,389
2021 Fund Loan Payable - Waste Water System		
Interest Free due in semi-annual installments on February 1 and August 1 through 2050	<u>11,099,221</u>	<u>11,510,303</u>
	<u>\$ 26,653,375</u>	<u>\$ 29,811,910</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 9 LONG-TERM LIABILITIES (Continued)

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

Year Ending December 31,	Revenue Bonds		Intergovernmental Loans		Total
	Principal	Interest	Principal	Interest	
2024	\$ 1,000,000		\$ 3,183,309	\$ 246,804	\$ 4,430,113
2025	1,005,000		3,110,581	203,149	4,318,730
2026	1,000,000		3,153,493	164,237	4,317,730
2027	1,005,000		3,185,443	122,469	4,312,912
2028	1,000,000		968,759	80,700	2,049,459
2029-2033	5,000,000		4,323,390	295,725	9,619,115
2034-2038	1,000,000		2,500,411	173,415	3,673,826
2039-2043			2,555,411	115,775	2,671,186
2044-2048	-	-	2,610,411	63,388	2,673,799
2049-2050	-	-	1,062,167	8,100	1,070,267
	<u>\$ 11,010,000</u>	<u>\$ -</u>	<u>\$ 26,653,375</u>	<u>\$ 1,473,762</u>	<u>\$ 39,137,137</u>

Less: Unaccrued
Value of Capital
Appreciation
Revenue Bonds
at December 31, 2023

2,733,457
\$ 8,276,543

Capital Finance Agreements – In 2019, the Authority entered into an agreement to lease two (2) sanitation trucks. The capital financing agreement is for a term of 5 years. The Authority’s schedule of principal and interest for outstanding capital financing agreements is as follows:

Year Ended	Principal	Interest	Amount
2024	<u>86,672</u>	<u>2,332</u>	<u>89,004</u>
	<u>\$ 86,672</u>	<u>\$ 2,332</u>	<u>\$ 89,004</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 9 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

The Authority's long-term liability activity for the years ended December 31, 2023 and 2022 are as follows:

	Balance, January 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2023</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 8,833,885	\$ 442,658	\$ 1,000,000	\$ 8,276,543	\$ 1,000,000
Total Revenue Bonds Payable	<u>8,833,885</u>	<u>442,658</u>	<u>1,000,000</u>	<u>8,276,543</u>	<u>1,000,000</u>
Intergovernmental Loans Payable	29,811,910		3,158,535	26,653,375	3,183,309
Issuance Premium	<u>95,904</u>	<u>-</u>	<u>23,541</u>	<u>72,363</u>	<u>-</u>
Total Intergovernmental Loans Payable	<u>29,907,814</u>	<u>-</u>	<u>3,182,076</u>	<u>26,725,738</u>	<u>3,183,309</u>
Capital Financing Agreements	171,073		84,401	86,672	86,672
Compensated Absences	403,702	23,149		426,851	
Rebatable Arbitrage Payable	199,382	132,305		331,687	
Net OPEB Liability	32,282,985	2,877,214		35,160,199	
Net Pension Liability	<u>7,469,133</u>	<u>-</u>	<u>515,778</u>	<u>6,953,355</u>	<u>-</u>
	<u>\$ 79,267,974</u>	<u>\$ 3,475,326</u>	<u>\$ 4,782,255</u>	<u>\$ 77,961,045</u>	<u>\$ 4,269,981</u>
	Balance, January 1, <u>2022</u>	<u>Additions</u>	<u>Reductions (Restated)</u>	Balance, December 31, <u>2022</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 9,271,645	\$ 462,240	\$ 900,000	\$ 8,833,885	\$ 1,000,000
Total Revenue Bonds Payable	<u>9,271,645</u>	<u>462,240</u>	<u>900,000</u>	<u>8,833,885</u>	<u>1,000,000</u>
Intergovernmental Loans Payable	33,445,085		3,633,175	29,811,910	3,158,535
Issuance Premium	<u>122,215</u>	<u>-</u>	<u>26,311</u>	<u>95,904</u>	<u>-</u>
Total Intergovernmental Loans Payable	<u>33,567,300</u>	<u>-</u>	<u>3,659,486</u>	<u>29,907,814</u>	<u>3,158,535</u>
Capital Financing Agreements	253,264		82,191	171,073	84,401
Compensated Absences	422,876		19,174	403,702	
Rebatable Arbitrage Payable	229,755		30,373	199,382	
Net OPEB Liability	46,248,524		13,965,539	32,282,985	
Net Pension Liability	<u>5,484,597</u>	<u>1,984,536</u>	<u>-</u>	<u>7,469,133</u>	<u>-</u>
	<u>\$ 95,477,961</u>	<u>\$ 2,446,776</u>	<u>\$ 18,656,763</u>	<u>\$ 79,267,974</u>	<u>\$ 4,242,936</u>

Previously as noted, the principal amount of Intergovernmental Loans outstanding at December 31, 2023 and 2022 have been increased by the unamortized bond premium from the 2009, 2012 and 2013 Environmental Infrastructure Loans in the amounts of \$72,363 and \$95,904, respectively.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 9 LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities (Continued)

In addition to the debt shown above, the Authority has secured temporary financing through the Construction Financing Program of the New Jersey Infrastructure Bank for additional improvements of the Wood cliff Treatment Plant project. The Authority has issued a Subordinated Interim Note, dated June 10, 2021 in the amount of \$6,000,000. The note, with a zero percent interest rate, matures on June 30, 2024. During the fiscal years ending December 31, 2023 and 2022, the Authority received note proceeds of \$936,437 and \$1,087,929, respectively.

NOTE 10 CONSTRUCTION AND SIGNIFICANT COMMITMENTS

As of December 31, 2023 and 2022 the Authority had the following commitments with respect to unfinished capital projects:

	<u>2023</u>	<u>2022</u>
Woodcliff Treatment Plant Rehabilitation	\$ <u>420,760</u>	\$ <u>350,251</u>

NOTE 11 SERVICE AGREEMENT

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

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

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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 11 SERVICE AGREEMENT (Continued)

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

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

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

The annual debt service loan repayments are as follows:

<u>Year</u>	<u>Annual Debt Service Repayment</u>
2024	\$ 146,355
2025	146,287
2026	145,972
2027	<u>145,412</u>
Total	<u>\$ 584,026</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, 2023 and 2022 are as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Bond Reserve Fund</u>		
Required Balances	\$ 1,005,000	\$ 1,005,000
Cash and Investments	<u>4,748,421</u>	<u>4,538,709</u>
Excess	<u>\$ 3,743,421</u>	<u>\$ 3,533,709</u>
<u>Renewal and Replacement Fund</u>		
Required Balances	\$ 2,913,370	\$ 2,816,609
Cash and Investments	<u>2,620,441</u>	<u>2,504,710</u>
Excess (Deficiency)	<u>\$ (292,929)</u>	<u>\$ (311,899)</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

Other Pension Funds

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

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

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

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

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

A. Employee Retirement Systems (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2023 and 2022 is \$14.6 billion and \$15.2 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 65.23% and 62.91%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2022 and 2021 which were rolled forward to June 30, 2023 and 2022, respectively.

Actuarial Methods and Assumptions

In the July 1, 2022 and 2021 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.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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 2022 and 2021 based on 7.50% of employee’s annual compensation.

For the years ended December 31, 2023 and 2022 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 2023, 2022 and 2021 were equal to the required contributions.

During the years ended December 31, 2023, 2022 and 2021, 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>
2023	\$ 641,612
2022	624,127
2021	542,194

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, 2023. 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, 2023 and 2022 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal years ended June 30, 2023 and 2022.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Public Employees Retirement System (PERS)

At December 31, 2023 and 2022, the Authority reported a liability of \$6,953,355 and \$7,469,133, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 and 2021, 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, 2023, the Authority’s proportionate share was 0.04801 percent, which was a decrease of 0.00148 percent from its proportionate share measured as of June 30, 2022 of 0.04949 percent.

For the years ended December 31, 2023 and 2022, the pension system has determined the Authority’s pension expense (benefit) to be (\$32,217) and (\$425,503), 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, 2023 with a measurement date of June 30, 2023. 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, 2023 and 2022 for contributions made subsequent to the measurement period. At December 31, 2023 and 2022, the Authority’s deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2023		2022	
	<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	\$ 66,483	\$ 28,423	\$ 53,909	\$ 47,540
Changes of Assumptions	15,275	421,403	23,142	1,118,425
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	32,021		309,141	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	<u>366,640</u>	<u>253,978</u>	<u>487,255</u>	<u>104,027</u>
Total	<u>\$ 480,419</u>	<u>\$ 703,804</u>	<u>\$ 873,447</u>	<u>\$ 1,269,992</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Public Employees Retirement System (PERS) (Continued)

At December 31, 2023, 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:

Year Ending <u>December 31,</u>	<u>Total</u>
2024	\$ (316,214)
2025	(152,872)
2026	337,411
2027	(89,296)
2028	(2,414)
Thereafter	<u>-</u>
	<u>\$ (223,385)</u>

Actuarial Assumptions

The Authority’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The total pension liability reported for the year ended December 31, 2022 was based on the June 30, 2022 measurement date as determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
All Years	2.75 - 6.55% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Public Employees Retirement System (PERS) (Continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023 and 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2023 and 2022 as reported for the years ended December 31, 2023 and 2022, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2023</u>		<u>2022</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%	6.21%	3.00%	4.91%
Cash Equivalents	2.00%	3.31%	4.00%	1.75%
U.S. Treasuries	4.00%	3.31%	4.00%	1.75%
Investment Grade Credit	7.00%	5.19%	7.00%	3.38%
US Equity	28.00%	8.98%	27.00%	8.12%
Non-US Developed Markets Equity	12.75%	9.22%	13.50%	8.38%
International Small Cap Equity	1.25%	9.22%		
Emerging Markets Equity	5.50%	11.13%	5.50%	10.33%
High Yield	4.50%	6.97%	4.00%	4.95%
Real Assets	3.00%	8.40%	3.00%	7.60%
Private Credit	8.00%	9.20%	8.00%	8.10%
Real Estate	8.00%	8.58%	8.00%	11.19%
Private Equity	13.00%	12.50%	13.00%	11.80%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

Sensitivity of Net Pension Liability

The following presents the Authority’s proportionate share of the PERS net pension liability as of December 31, 2023 and 2022 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:

<u>2023</u>	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's Proportionate Share of the PERS Net Pension Liability	\$ <u>9,051,789</u>	\$ <u>6,953,355</u>	\$ <u>5,167,310</u>
<u>2022</u>	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's Proportionate Share of the PERS Net Pension Liability	\$ <u>9,595,648</u>	\$ <u>7,469,133</u>	\$ <u>5,659,383</u>

The sensitivity analysis was based on the proportionate share of the Authority’s net pension liability at December 31, 2022 and 2021. A sensitivity analysis specific to the Authority’s net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023, the following employees were covered by postemployment health care benefits:

Active Employees	65
Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>23</u>
	<u>88</u>

At December 31, 2023 and 2022, the Authority’s total OPEB liabilities were \$35,160,199 and \$32,282,985, respectively. Net OPEB liability was measured as of December 31, 2023 and the OPEB liability was determined by an actuarial valuation from January 1, 2023 to December 31, 2023 on a rollforward basis from January 1, 2022 to December 31, 2022.

For the years ended December 31, 2023 and 2022, the Authority has determined its OPEB expense/(benefit) to be (\$106,420) and \$247,832, respectively, based on the actuarial valuation.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 14 POST RETIREMENT MEDICAL BENEFITS (Continued)

Employees Covered by Postemployment Benefits (Continued)

At December 31, 2023, the Authority’s deferred outflows of resources and deferred inflows of resources related to OPEB are from the following sources:

	2023		2022	
	<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	\$ 4,850,455	\$ 15,759,223	\$ 4,441,662	\$ 19,130,069
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>\$ 4,850,455</u>	<u>\$ 15,759,223</u>	<u>\$ 4,441,662</u>	<u>\$ 19,130,069</u>

At December 31, 2023, 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>
2024	(2,007,230)
2025	(2,007,230)
2026	(2,007,228)
2027	(3,117,646)
2028	(2,022,637)
2029	<u>253,203</u>
	<u>\$ (10,908,768)</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Assumptions

The Authority’s total OPEB liability reported for the years ended December 31, 2023 and 2022 was based on the December 31, 2023 measurement date as determined by an actuarial valuation as of December 31, 2022 which was rolled forward to December 31, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>	<u>2022</u>
Salary Increases	3.0%	3.0%
Discount Rate	3.88%	4.18%
Healthcare Cost Trend Rates	7%	7%
Ultimate Trend	4.5%	4.5%
Grading per Year	0.25%	0.25%

As the actuarial valuation was rollforward from December 31, 2022, all assumptions remained the same except for the discount rate.

The discount rate was based on using an average of two 20 year bond indices (e.g. S&P Municipal Bond 20 year HG and Fidelity GO AA – 20 Yrs).

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, 2023 and 2022 valuations were based on the results of an actuarial experience study for the period January 1, 2022 to December 31, 2022 and rollforward to December 31, 2023 with the exception of the discount rate that was reassessed.

Changes in the Total OPEB Liability

The change in the Authority’s OPEB liability for the years ended December 31, 2023 and 2022 based on the measurement date of December 31, 2023 is as follows:

	<u>2023</u>	<u>2022</u>
Balance - Beginning of Year	\$ 32,282,985	\$ 46,248,524
Changes for the Year:		
Service Cost	\$ 663,673	\$ 591,350
Interest on the Total OPEB Liability	1,237,137	1,916,913
Changes of Assumptions	1,772,409	(15,695,093)
Benefit Payments	(796,005)	(778,709)
Net Changes	<u>2,877,214</u>	<u>(13,965,539)</u>
Balance - End of Year	<u>\$ 35,160,199</u>	<u>\$ 32,282,985</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority’s net OPEB liability as of December 31, 2023 and 2022 calculated using the discount rate of 3.88% and 4.18%, 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 (2.88% and 3.18%, respectively) or 1-percentage-point higher (4.88% and 5.18%, respectively) than the current rate:

	1% Decrease (2.88%)	Current Discount Rate (3.88%)	1% Increase (4.88%)
<u>2023</u>			
Net OPEB Liability	<u>\$ 41,968,119</u>	<u>\$ 35,160,199</u>	<u>\$ 29,845,720</u>
	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
<u>2022</u>			
Net OPEB Liability	<u>\$ 38,510,972</u>	<u>\$ 32,282,985</u>	<u>\$ 27,418,389</u>

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, 2023 and 2022 calculated using the healthcare trend rates as disclosed above as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2023</u>			
Net OPEB Liability	<u>\$ 29,031,826</u>	<u>\$ 35,160,199</u>	<u>\$ 43,123,949</u>
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2022</u>			
Net OPEB Liability	<u>\$ 26,928,377</u>	<u>\$ 32,282,985</u>	<u>\$ 39,191,943</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Authority believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Authority.

B. Risk Management

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

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

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

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

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

C. Federal Arbitrage Regulations

The Authority is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2023 and 2022, the Authority has estimated that there are arbitrage earnings due to the IRS of \$331,687 and \$199,382, respectively.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 16 RECENT HEALTHCARE DEVELOPMENTS

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to mitigate the spread of the disease and provide relief to State and local governments. The pandemic and certain mitigation measures altered the behavior of businesses and people with negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level. Depending on future circumstances, ongoing actions could be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19, its variants or other critical health care challenges.

To date, the overall finances and operations of the Authority have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, the degree of any future impact to the Authority’s operations and finances is difficult to predict due to the dynamic nature of the COVID-19 pandemic and any additional actions that may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

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, 2022 financial statements have been restated to reflect credits applied to balances with respect to Intergovernmental Loans Payable. 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>
Intergovernmental Loans Payable	\$27,090,279	(\$426,000)	\$26,664,279
Net Position			
Net Investment in Capital Assets	\$32,013,978	426,000	32,439,978
Total Net Position	\$27,545,337	426,000	27,971,337

NOTE 18 SUBSEQUENT EVENT

On June 18, 2024, the Authority approved a resolution for the issuance of debt obligations in an amount not to exceed \$62,000,000 to provide financing for the cost of an environmental infrastructure project. The Authority anticipates the obligations will be issued by the New Jersey Infrastructure Bank to finance the project on a long-term basis by making a loan to the Authority with the proceeds of the obligations.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

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

Postemployment Health Benefit Plan

Last Ten Years

	<u>2023</u>	<u>2022</u>	<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>
Annual Required Contribution							\$ 1,172,219	\$ 1,403,234	\$ 1,403,234	\$ 1,403,234
Adjustment to Annual Required Contribution							1,097,678		120,037	493,354
Service Cost	\$ 663,673	\$ 591,350	\$ 947,920	\$ 928,796	\$ 651,679	\$ 516,148				
Interest on Total OPEB Liability	1,237,137	1,916,913	923,166	1,062,875	1,485,586	1,553,323	349,377	360,150	307,123	237,725
Changes in Assumptions	1,772,409	(15,695,093)	(269,455)	(8,760,065)	8,883,322					
Benefit Payments	<u>(796,005)</u>	<u>(778,709)</u>	<u>(771,193)</u>	<u>(862,198)</u>	<u>(631,395)</u>	<u>(573,788)</u>	<u>(626,415)</u>	<u>(551,423)</u>	<u>(504,714)</u>	<u>(399,360)</u>
Net Change in Total OPEB Liability	2,877,214	(13,965,539)	830,438	(7,630,592)	10,389,192	1,495,683	1,992,859	1,211,961	1,325,680	1,734,953
Total OPEB Liability - January 1	<u>32,282,985</u>	<u>46,248,524</u>	<u>45,418,086</u>	<u>53,048,678</u>	<u>42,659,486</u>	<u>41,163,803</u>	<u>10,215,716</u>	<u>9,003,755</u>	<u>7,678,075</u>	<u>5,943,122</u>
Total OPEB Liability - December 31	<u>\$35,160,199</u>	<u>\$ 32,282,985</u>	<u>\$ 46,248,524</u>	<u>\$ 45,418,086</u>	<u>\$ 53,048,678</u>	<u>\$ 42,659,486</u>	<u>\$ 12,208,575</u>	<u>\$ 10,215,716</u>	<u>\$ 9,003,755</u>	<u>\$ 7,678,075</u>
Authority's Covered-Employee Payroll	<u>\$ 3,612,463</u>	<u>\$ 3,437,351</u>	<u>\$ 3,352,063</u>	<u>\$ 3,334,708</u>	<u>\$ 3,241,386</u>	<u>\$ 3,381,321</u>	<u>\$ 3,235,486</u>	<u>\$ 3,157,836</u>	<u>\$ 3,049,397</u>	<u>\$ 3,129,282</u>
Total OPEB Liability as a Percentage of its Covered-Employee Payroll	973.30%	939.18%	1379.70%	1361.98%	1636.60%	1261.62%	377.33%	323.50%	295.26%	245.36%

(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 Ten Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Position Liability (Asset)	0.04801%	0.04949%	0.04629%	0.04687%	0.04686%	0.04720%	0.04760%	0.04500%	0.04540%	0.04841%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,953,355	\$ 7,469,133	\$ 5,484,597	\$ 7,643,299	\$ 8,445,225	\$ 9,294,622	\$ 11,081,947	\$ 13,327,090	\$ 10,190,313	\$ 9,063,879
Authority's Covered-Employee Payroll	\$ 3,612,463	\$ 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
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	192.48%	217.29%	163.62%	229.20%	260.54%	274.88%	342.51%	422.03%	334.17%	289.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.09%	40.14%	47.93%	52.08%

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

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Employer Contribution	\$ 641,612	\$ 624,127	\$ 542,194	\$ 512,736	\$ 455,907	\$ 469,547	\$ 441,020	\$ 399,755	\$ 390,277	\$ 399,094
Contributions in Relation to the Required Employer Contributions	<u>641,612</u>	<u>624,127</u>	<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>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered- Employee Payroll	\$ 3,584,938	\$ 3,612,463	\$ 3,437,351	\$ 3,352,063	\$ 3,334,708	\$ 3,241,386	\$ 3,381,321	\$ 3,235,486	\$ 3,157,836	\$ 3,049,397
Contributions as a Percentage of Covered-Employee Payroll	17.90%	17.28%	15.77%	15.30%	13.67%	14.49%	13.04%	12.36%	12.36%	13.09%

**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, 2023**

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
(UNAUDITED)**

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023

ASSETS	<u>Solid</u> <u>Waste</u>	<u>Waste</u> <u>Water</u>	<u>Total</u>
Unrestricted Current Assets			
Cash and Cash Equivalents	\$ 6,196,586	42,104,613	\$ 48,301,199
User Charges Receivable (Net of Allowance for Doubtful Accounts)		2,996,113	2,996,113
Other Accounts Receivable	<u>43,600</u>	<u>-</u>	<u>43,600</u>
Total Unrestricted Current Assets	<u>6,240,186</u>	<u>45,100,726</u>	<u>51,340,912</u>
Restricted Current Assets			
Revenue Account			
Cash and Cash Equivalents		7,707,705	7,707,705
Bond Reserve Account			
Cash and Cash Equivalents		4,748,421	4,748,421
Renewal and Replacement Account			
Cash and Cash Equivalents		2,620,441	2,620,441
Accrued Interest Receivable	<u>-</u>	<u>71,335</u>	<u>71,335</u>
Total Restricted Current Assets	<u>-</u>	<u>15,147,902</u>	<u>15,147,902</u>
Total Current Assets	<u>6,240,186</u>	<u>60,248,628</u>	<u>66,488,814</u>
Non-Current Assets			
Capital Assets			
Land		2,500,000	2,500,000
Land Improvements		55,934	55,934
Buildings and Building Improvements	1,115,138	1,458,742	2,573,880
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	2,672,276	5,168,492
Construction in Progress		36,781,473	36,781,473
Accumulated Depreciation	<u>(2,914,492)</u>	<u>(84,454,065)</u>	<u>(87,368,557)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>696,862</u>	<u>60,085,658</u>	<u>60,782,520</u>
Total Non-Current Assets	<u>696,862</u>	<u>60,085,658</u>	<u>60,782,520</u>
Total Assets	<u>6,937,048</u>	<u>120,334,286</u>	<u>127,271,334</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	191,205	289,214	480,419
Deferred Amounts on Net OPEB Liability	2,519,535	2,330,920	4,850,455
Deferred Amounts of Refunding of Debt	<u>-</u>	<u>7,601</u>	<u>7,601</u>
Total Deferred Outflows of Resources	<u>2,710,740</u>	<u>2,627,735</u>	<u>5,338,475</u>
Total Assets and Deferred Outflows of Resources	<u>9,647,788</u>	<u>122,962,021</u>	<u>132,609,809</u>

Continued

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023

LIABILITIES	Solid Waste	Waste Water	Total
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable and Other Liabilities	\$ 355,853	\$ 1,247,776	\$ 1,603,629
Capital Lease Payable	86,672		86,672
Accrued Interest on Bonds and Loans		102,759	102,759
Unearned Revenue	224,808	50,345	275,153
Intergovernmental Loans Payable	<u>-</u>	<u>3,183,309</u>	<u>3,183,309</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>667,333</u>	<u>4,584,189</u>	<u>5,251,522</u>
Current Liabilities (Payable from Restricted Assets)			
Revenue Bonds Payable	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Current Liabilities	<u>667,333</u>	<u>5,584,189</u>	<u>6,251,522</u>
Non-Current Liabilities			
Compensated Absences	221,934	204,917	426,851
Net OPEB Liability	18,263,722	16,896,477	35,160,199
Rebatable Arbitrage Payable		331,687	331,687
Net Pension Liability	2,767,411	4,185,944	6,953,355
NJIB Note Payable		2,024,366	2,024,366
Revenue Bonds Payable (Net of Unamortized Premium)		7,276,543	7,276,543
Intergovernmental Loans Payable (Net of Unamortized Premium)	<u>-</u>	<u>23,542,429</u>	<u>23,542,429</u>
Total Non-Current Liabilities	<u>21,253,067</u>	<u>54,462,363</u>	<u>75,715,430</u>
Total Liabilities	<u>21,920,400</u>	<u>60,046,552</u>	<u>81,966,952</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	280,112	423,692	703,804
Deferred Amounts on Net OPEB Liability	<u>8,186,020</u>	<u>7,573,203</u>	<u>15,759,223</u>
Total Deferred Inflows of Resources	<u>8,466,132</u>	<u>7,996,895</u>	<u>16,463,027</u>
Total Liabilities and Deferred Inflows of Resources	<u>30,386,532</u>	<u>68,043,447</u>	<u>98,429,979</u>
NET POSITION			
Net Investment in Capital Assets	610,190	33,367,521	33,977,711
Restricted For:			
Bond Reserve Fund		1,005,000	1,005,000
Renewals and Replacements		2,913,370	2,913,370
Unrestricted	<u>(21,348,934)</u>	<u>17,632,683</u>	<u>(3,716,251)</u>
Total Net Position	<u>\$ (20,738,744)</u>	<u>\$ 54,918,574</u>	<u>\$ 34,179,830</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
OPERATING REVENUES			
User Charges		\$ 16,754,070	\$ 16,754,070
Service Charges	\$ 269,232		269,232
Interest on Delinquent Accounts		349,592	349,592
Appropriation - Township of North Bergen	7,931,359	-	7,931,359
Total Operating Revenues	<u>8,200,591</u>	<u>17,103,662</u>	<u>25,304,253</u>
OPERATING EXPENSES			
Administration			
Salaries and Wages	229,940	864,328	1,094,268
Fringe Benefits	296,309	778,077	1,074,386
Other Expenses	238,563	592,536	831,099
Cost of Providing Services			
Salaries and Wages	2,069,310	1,262,799	3,332,109
Fringe Benefits	(942,914)	1,355,570	412,656
Other Expenses	3,683,099	7,773,546	11,456,645
Depreciation	36,829	3,294,882	3,331,711
Total Operating Expenses	<u>5,611,136</u>	<u>15,921,738</u>	<u>21,532,874</u>
Operating Income	<u>2,589,455</u>	<u>1,181,924</u>	<u>3,771,379</u>
NON-OPERATING REVENUES (EXPENSES)			
Connection Fees		729,548	729,548
Interest and Investment Income	238,330	2,317,996	2,556,326
Grants and Entitlements	126,067	164,773	290,840
Municipal Appropriation - Debt Service Reimbursement		129,429	129,429
Municipal Contribution		(570,000)	(570,000)
Interest Expense	(4,602)	(694,427)	(699,029)
Total Non-Operating Revenues (Expenses)	<u>359,795</u>	<u>2,077,319</u>	<u>2,437,114</u>
Change in Net Position	2,949,250	3,259,243	6,208,493
Total Net Position, January 1, 2023, Restated	<u>(23,687,994)</u>	<u>51,659,331</u>	<u>27,971,337</u>
Total Net Position, December 31, 2023	<u>\$ (20,738,744)</u>	<u>\$ 54,918,574</u>	<u>\$ 34,179,830</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers/Municipality	\$ 8,178,355	\$ 17,239,307	\$ 25,417,662
Cash Paid for Goods and Services	(3,666,596)	(7,906,043)	(11,572,639)
Cash Paid for Employees Salaries, Wages and Benefits	<u>(2,786,967)</u>	<u>(4,836,773)</u>	<u>(7,623,740)</u>
Net Cash Provided by Operating Activities	<u>1,724,792</u>	<u>4,496,491</u>	<u>6,221,283</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants and Entitlements	194,091	164,773	358,864
Municipal Contribution		(570,000)	(570,000)
Connection Fees	<u>-</u>	<u>729,548</u>	<u>729,548</u>
Net Cash Provided by Noncapital Financing Activities	<u>194,091</u>	<u>324,321</u>	<u>518,412</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Revenue Bonds		(1,000,000)	(1,000,000)
Principal Payments on Intergovernmental Loans		(3,158,535)	(3,158,535)
Principal Payments on Capital Leases	(84,401)		(84,401)
NJIB Note Proceeds		936,437	936,437
Municipal Appropriation - Debt Service Reimbursement		129,429	129,429
Interest Paid	(4,602)	(267,707)	(272,309)
Acquisition of Capital Assets	<u>-</u>	<u>(1,182,354)</u>	<u>(1,182,354)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(89,003)</u>	<u>(4,542,730)</u>	<u>(4,631,733)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>238,330</u>	<u>2,419,769</u>	<u>2,658,099</u>
Net Cash Provided by Investing Activities	<u>238,330</u>	<u>2,419,769</u>	<u>2,658,099</u>
Net Increase in Cash and Cash Equivalents	2,068,210	2,697,851	4,766,061
Cash and Cash Equivalents, January 1, 2023	<u>5,429,497</u>	<u>53,871,146</u>	<u>59,300,643</u>
Cash and Cash Equivalents, December 31, 2023	<u>\$ 7,497,707</u>	<u>\$ 56,568,997</u>	<u>\$ 64,066,704</u>
Analysis of Cash and Cash Equivalents			
Unrestricted	\$ 6,196,586	\$ 42,104,613	\$ 48,301,199
Restricted	<u>-</u>	<u>15,076,567</u>	<u>15,076,567</u>
	<u>\$ 6,196,586</u>	<u>\$ 57,181,180</u>	<u>\$ 63,377,766</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Solid Waste</u>	<u>Waste Water</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 2,589,455	\$ 1,181,924	\$ 3,771,379
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	36,829	3,294,882	3,331,711
(Increase)/Decrease in User Charges Receivable		135,645	135,645
(Increase)/Decrease in Other Accounts Receivable	(22,236)		(22,236)
(Increase)/Decrease in Deferred Outflows -			
Deferred Amounts on Net Pension Liability	270,459	122,569	393,028
Deferred Amounts on Net OPEB Liability	(171,875)	(236,918)	(408,793)
Increase/(Decrease) in Accounts Payable and Other Liabilities	16,503	(132,497)	(115,994)
Increase/(Decrease) in Accrued Compensated Absences	970	22,179	23,149
Increase/(Decrease) in Net OPEB Liability	1,200,408	1,676,860	2,877,268
Increase/(Decrease) in Net Pension Liability	(1,180,432)	664,654	(515,778)
Increase/(Decrease) in Deferred Inflows -			
Deferred Amounts on Net Pension Liability	(391,148)	(175,040)	(566,188)
Deferred Amounts on Net OPEB Liability	(1,925,262)	(1,445,584)	(3,370,846)
Total Adjustments	(2,165,784)	3,926,750	1,760,966
Net Cash Provided by (Used for) Operating Activities	<u>\$ 423,671</u>	<u>\$ 5,108,674</u>	<u>\$ 5,532,345</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Amortization of Loan Premium		\$ (23,541)	\$ (23,541)
Deferred Amounts on Refunding of Debt		7,601	7,601
Interest Expense/Accreted Value of Capital Appreciation			
Revenue Bonds		442,658	442,658

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, 2023
(With Comparative Amounts for the Year Ended December 31, 2022)

	<u>2023</u> <u>Amended Budget</u>	<u>2023</u> <u>Actual</u>	<u>Variance</u> <u>Excess</u> <u>(Deficit)</u>	<u>2022</u> <u>Actual</u>
REVENUES				
OPERATING REVENUES				
Service Charges	\$ 260,641	\$ 269,232	\$ 8,591	\$ 256,371
Appropriation - Township of North Bergen	<u>7,931,359</u>	<u>7,931,359</u>	<u>-</u>	<u>7,637,000</u>
Total Operating Revenues	<u>8,192,000</u>	<u>8,200,591</u>	<u>8,591</u>	<u>7,893,371</u>
NON-OPERATING REVENUES				
Grants and Entitlements	86,000	126,067	40,067	164,960
Other Revenues	<u>128,000</u>	<u>238,330</u>	<u>110,330</u>	<u>-</u>
Total Non-Operating Revenues	<u>214,000</u>	<u>364,397</u>	<u>150,397</u>	<u>164,960</u>
Total Solid Waste Revenues	<u>8,406,000</u>	<u>8,564,988</u>	<u>158,988</u>	<u>8,058,331</u>
APPROPRIATIONS				
OPERATING APPROPRIATIONS				
Administration				
Salaries and Wages	295,600	229,940	65,660	233,422
Fringe Benefits	521,000	516,109	4,891	546,424
Other Expenses	370,500	238,563	131,937	324,791
Cost of Providing Services				
Salaries and Wages	2,166,000	2,069,310	96,690	1,990,167
Fringe Benefits	1,150,500	1,035,137	115,363	1,032,729
Other Expenses	<u>3,715,713</u>	<u>3,683,099</u>	<u>32,614</u>	<u>3,210,753</u>
Total Operating Appropriations	<u>8,219,313</u>	<u>7,772,158</u>	<u>447,155</u>	<u>7,338,286</u>
NON-OPERATING APPROPRIATIONS				
Principal Payments on Debt	177,203	84,401	92,802	82,191
Interest on Debt	<u>9,484</u>	<u>4,602</u>	<u>4,882</u>	<u>6,813</u>
Total Non-Operating Appropriations	<u>186,687</u>	<u>89,003</u>	<u>97,684</u>	<u>89,004</u>
Total Solid Waste Appropriations	<u>8,406,000</u>	<u>7,861,161</u>	<u>544,839</u>	<u>7,427,290</u>
Total Budgetary Income		703,827		631,041
Reconciliation to Change in Net Position - GAAP				
Increases to Budgetary Income:				
Principal Payments on Debt		84,401		82,191
Capital Outlay - Capitalized				
Decreases to Budgetary Income				
Depreciation Expense		(36,829)		
Other Post-Retirement Benefit Expense		896,730		1,061,801
Accrued Pension Expense		<u>1,301,121</u>		<u>701,010</u>
Change in Net Position - GAAP		<u>\$ 2,949,250</u>		<u>\$ 2,476,043</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, 2023
(With Comparative Amounts for the Year Ended December 31, 2022)

	2023 <u>Amended Budget</u>	2023 <u>Actual</u>	Variance Excess (Deficit)	2022 <u>Actual</u>
REVENUES				
OPERATING REVENUES				
User Charges	\$ 16,500,000	\$ 16,754,070	\$ 254,070	\$ 17,033,075
Interest on Delinquent Accounts	240,000	349,592	109,592	224,586
Total Operating Revenues	<u>16,740,000</u>	<u>17,103,662</u>	<u>363,662</u>	<u>17,257,661</u>
NON-OPERATING REVENUES				
Connection Fees	1,000,000	729,548	(270,452)	1,078,440
Interest and Investment Income	300,000	2,317,996	2,017,996	729,136
Appropriation - Township of North Bergen, Debt Service Reimbursement	129,427	129,429		129,389
Grants and Entitlements		164,773	164,773	
Cancelled Prior Year Accounts Payable	-	-	-	447,681
Total Non-Operating Revenues	<u>1,429,427</u>	<u>3,341,746</u>	<u>1,912,317</u>	<u>2,384,646</u>
Total Waste Water Revenues	<u>18,169,427</u>	<u>20,445,408</u>	<u>2,275,979</u>	<u>19,642,307</u>
APPROPRIATIONS				
OPERATING APPROPRIATIONS				
Administration				
Salaries and Wages	865,500	864,328	1,172	891,345
Fringe Benefits	617,000	531,639	85,361	508,376
Other Expenses	1,206,800	592,536	614,264	404,772
Cost of Providing Services				
Salaries and Wages	1,230,000	1,262,799	(32,799)	1,091,991
Fringe Benefits	1,256,020	995,520	260,500	1,030,252
Other Expenses	8,907,723	7,773,546	1,134,177	7,128,546
Total Operating Appropriations	<u>14,083,043</u>	<u>12,020,368</u>	<u>2,062,675</u>	<u>11,055,282</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, 2023
 (With Comparative Amounts for the Year Ended December 31, 2022)
 (Continued)

	<u>2023</u>	<u>2023</u>	<u>Variance</u>	<u>2022</u>
	<u>Amended Budget</u>	<u>Actual</u>	<u>Excess</u>	<u>Actual</u>
			<u>(Deficit)</u>	
APPROPRIATIONS (Continued)				
NON-OPERATING APPROPRIATIONS				
Principal on Payment of Debt	\$ 3,716,105	\$ 3,158,535	\$ 557,570	\$ 3,657,517
Interest Expense	815,645	267,708	547,937	215,380
Municipal Contribution	570,000	570,000	-	570,000
	<u>5,101,750</u>	<u>3,996,243</u>	<u>1,105,507</u>	<u>4,442,897</u>
Total Non-Operating Appropriations				
Total Waste Water Appropriations	<u>19,184,793</u>	<u>16,016,611</u>	<u>3,168,182</u>	<u>15,498,179</u>
Total Budgetary Income	(1,015,366)	4,428,797		4,144,128
Reconciliation to Change in Net Position - GAAP				
Increases to Budgetary Income:				
Principal Payments on Debt		3,158,535		3,657,517
Amortization Expense - Original Issue Premiums		23,541		18,714
Intergovernmental Loan Forgiven				
Decreases to Budgetary Income				
Depreciation Expense		(3,294,882)		(3,301,244)
Other Post-Retirement Benefit Expense		5,695		(530,924)
Accrued Pension Expense		(612,183)		302,518
Interest Expense - Accreted Value of Capital Appreciation Revenue Bonds		(442,659)		(462,239)
Amortization Expense - Deferred Amounts on Refunding of Debt		<u>(7,601)</u>		<u>(7,600)</u>
Change in Net Position - GAAP		<u>\$ 3,259,243</u>		<u>\$ 3,820,870</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities of Bonds</u>		<u>Balance January 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2023</u>
			<u>Date</u>	<u>Amount</u>				
Sewer Revenue Subordinated Capital Appreciation Bonds	12/27/2007	\$ 5,676,013	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	\$ 8,833,885	\$ 442,658	\$ 1,000,000	\$ 8,276,543
					<u>\$ 8,833,885</u>	<u>\$ 442,658</u>	<u>\$ 1,000,000</u>	<u>\$ 8,276,543</u>
								<u>1,000,000</u>
								<u>\$ 7,276,543</u>

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2023

Board of Commissioners

Position

Salvatore DeSantis

Chairman

Frank Piazza

Vice Chairman

Felix Henriquez

Board Member

Joseph Lombardi

Board Member

Thaddeus Goscinski

Board Member

Executive Staff

Frank Pestana

Executive Director

Patricia Bartoli

Chief Financial Officer

Maria Hernandez

Clerk to the Board

Consultants and Advisors

Cleary, Giacobbe, Alfieri & Jacobs, LLC

General Counsel

Boswell Engineering

Consulting Engineers

GOVERNMENT AUDITING STANDARDS REPORT



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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CHRISTINA CUIFFO, CPA, PSA
JOHN CUIFFO, CPA, PSA

**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, 2023, 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 2, 2024.

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.

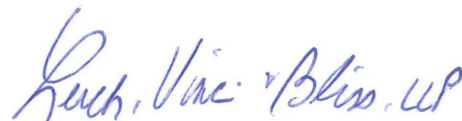
Report on Compliance and Other Matters

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 CR000411

Fair Lawn, New Jersey
July 2, 2024



LERCH, VINCI & BLISS, LLP

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the North Bergen Municipal Utilities Authority's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the North Bergen Municipal Utilities Authority's major state programs for the year ended December 31, 2023. The North Bergen Municipal Utilities Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the North Bergen Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and audit requirements of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Our responsibilities under those standards and New Jersey OMB Circular are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the North Bergen Municipal Utilities Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contracts or grant agreements applicable to the North Bergen Municipal Utilities Authority's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the North Bergen Municipal Utilities Authority's compliance based on our audit. 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, Government Auditing Standards, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and New Jersey OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the North Bergen Municipal Utilities Authority's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and New Jersey OMB Circular 15-08, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 North Bergen Municipal Utilities Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the North Bergen Municipal Utilities Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the North Bergen Municipal Utilities Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

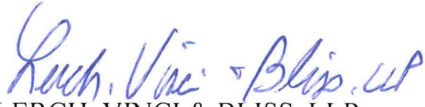
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the North Bergen Municipal Utilities Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements and have issued our report thereon dated July 2, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR000411

Fair Lawn, New Jersey
July 2, 2024

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Federal Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2023 Grant Receipts</u>	<u>Balance, December 31, 2022</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2023</u>	<u>Cumulative Expenditures</u>
Department of Environmental Protection									
Low Income Household Water Assistance Program	93.499	2023	\$ 27,124	\$ 27,124	\$ -	\$ 27,124	\$ 27,124		\$ 27,124
United States Department of Homeland Security (Federal Emergency Management Agency)									
Disaster Grants - Public Assistance	97.036								
Hurricane Sandy		2023	128,210	128,210	-	128,210	128,210	-	128,210
Hurricane IDA		2023	36,563	36,563	-	36,563	36,563	-	36,563
					<u>\$ -</u>	<u>\$ 191,897</u>	<u>\$ 191,897</u>	<u>\$ -</u>	

NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2023

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2023 Grant Receipts</u>	<u>Balance, December 31, 2022</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2023</u>	<u>Cumulative Expenditures</u>
Department of Environmental Protection									
Recycling Tonnage Grant	4900-752-001	2021	\$ 98,909		\$ 70,631		\$ 70,631		\$ 98,909
Recycling Tonnage Grant	4900-752-001	2022	86,153		86,153		55,436	\$ 30,717	55,436
Recycling Tonnage Grant	4900-752-001	2023	194,091	\$ 194,091		\$ 194,091		194,091	
Environmental Infrastructure Trust	S340652-14R	2021	6,000,000	936,437	-	936,437	936,437	-	2,024,366
					<u>\$ 156,784</u>	<u>\$ 1,130,528</u>	<u>\$ 1,062,504</u>	<u>\$ 224,808</u>	

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 1 REPORTING ENTITY

The North Bergen Municipal Utilities Authority (the “Authority”) received and participated in numerous Federal Award and State Financial Assistance programs in the form of cost reimbursement grants and revenue sharing entitlements. The Authority is the reporting entity for these programs. The Authority is defined in Note 1 (A) to the Authority’s Financial Statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (the “Schedules”) present the activity of all federal and state programs of the Authority. All federal awards received directly from federal agencies or passed through other government agencies are included on the schedule of expenditures of federal awards. All state awards received directly from state agencies or passed through other government agencies are included in the schedule of expenditures of state financial assistance. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority’s summary of significant accounting policies are described in Note 1 to the Authority’s financial statements.

NOTE 4 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules 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 schedules 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>
Federal	\$ 191,897	\$ 27,124	\$ 164,773
State	<u>1,062,504</u>	<u>126,067</u>	<u>936,437</u>
	<u>\$ 1,254,401</u>	<u>\$ 153,191</u>	<u>\$ 1,101,210</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 5 STATE LOANS OUTSTANDING

The Authority's state loans outstanding at December 31, 2023 are as follows:

	<u>2023</u>
New Jersey Infrastructure Trust	
2007 Trust Loan Payable - Waste Water System	\$ 2,649,000
2010 Trust Loan Payable - Waste Water System	109,000
2013 Trust Loan Payable - Waste Water System	410,000
2014 Trust Loan Payable - Waste Water System	880,000
2021 Trust Loan Payable - Waste Water System	2,425,000
2007 Fund Loan Payable - Waste Water System	6,049,792
2010 Fund Loan Payable - Waste Water System	728,271
2013 Fund Loan Payable - Waste Water System	1,080,000
2014 Fund Loan Payable - Waste Water System	1,223,091
2021 Fund Loan Payable - Waste Water System	<u>11,099,221</u>
	<u>\$ 26,653,375</u>

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Part I – Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section **Not Applicable**

State Awards Section

Internal Control over major programs:

- 1) Material Weakness(es) identified? yes X no
- 2) Significant deficiencies identified not considered to be material weaknesses yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB 15-08

 yes X no

Identification of major state programs:

<u>State Grant Number</u>	<u>Name of State Program</u>
S340652-14R	Environmental Infrastructure Trust

Dollar threshold to distinguish between Type A and Type B Program

\$750,000

Auditee qualified as low-risk auditee?

 X yes no

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2023**

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

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

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

**NORTH BERGEN MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Our audit indicated that the Authority procured a contract for the acquisition of a vehicle through the use of a national cooperative purchasing agreement without performance of a cost-savings determination or public advertisement of the Authority's intent to award a contract utilizing a national cooperative purchasing agreement. It is recommended that contracts procured through the use of a national cooperative purchasing agreement be awarded in accordance with the Local Public Contracts Law.

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.