

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF BERGEN)  
REPORT OF AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

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# NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Northwest Bergen County Utilities Authority  
County of Bergen  
Waldwick, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the Northwest Bergen County Utilities Authority as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation



of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Qualified Opinion***

Management has not updated the net pension obligation, pension-related deferred outflow, accounts payable, pension or pension-related deferred inflow accounts to a measurement date acceptable under current accounting standards for the year ended December 31, 2017. Government Accounting Standards Board Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources and net pension has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "*Basis for Qualified Opinion*" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Bergen County Utilities Authority as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions as listed in the table of contents 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents 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 March 15, 2018 on our consideration of the Northwest Bergen County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Northwest Bergen County Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

March 15, 2018



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**Required Supplementary Information - Part I**

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**Management Discussion and Analysis**

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## **NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

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

*As management of the Northwest Bergen County Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the years ended December 31, 2017 and 2016. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

#### **Financial Highlights**

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$37,677,378 (net position) for the year reported. This compares to the previous period when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,956,715.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$35,657,238 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Restricted net position of \$7,625,307 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$(5,605,167) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$1,545,486 to \$36,085,968 during the year ended December 31, 2017.

#### **Overview of the Financial Statements**

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

#### **Required Financial Statements**

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the

## NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

nature and amounts of investments in resources (assets), the consumption of net position that is applicable to a future period (deferred outflows of resources), the acquisition of net position that is applicable to a future reporting period (deferred inflows of resources) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

#### Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

#### **Financial Analysis of the Authority**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(continued)

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at December 31, 2017 was \$37,677,378. This is a \$1,720,663 increase over last period' net position of \$35,956,715. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position**

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	14,318,743	14,890,505	(571,762)	(3.84)
Non-Current Assets	<u>54,505,720</u>	<u>53,861,424</u>	<u>644,296</u>	1.20
Total Assets	<u>68,824,463</u>	<u>68,751,929</u>	<u>72,534</u>	0.11
Deferred Outflows of Resources	<u>5,935,440</u>	<u>5,978,764</u>	<u>(43,324)</u>	(0.72)
Current Liabilities	3,127,461	3,163,044	(35,583)	(1.13)
Non-Current Liabilities	<u>32,958,507</u>	<u>34,468,410</u>	<u>(1,509,903)</u>	(4.38)
Total Liabilities	<u>36,085,968</u>	<u>37,631,454</u>	<u>(1,545,486)</u>	(4.11)
Deferred Inflows of Resources	<u>996,557</u>	<u>1,142,524</u>	<u>(145,967)</u>	(12.78)
Net Investment in Capital Assets	35,657,238	33,619,844	2,037,394	6.06
Restricted	7,625,307	6,309,627	1,315,680	20.85
Unrestricted	<u>(5,605,167)</u>	<u>(3,972,756)</u>	<u>(1,632,411)</u>	41.09
Total Net position	<u>37,677,378</u>	<u>35,956,715</u>	<u>1,720,663</u>	4.79

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(continued)

**Net Position (Continued)**

A summary of the Authority's prior year statement of net assets is presented with comparative FY 2016 balances in the following table:

**Condensed Statement of Net Position**

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	14,890,505	19,224,702	(4,334,197)	(22.54)
Non-Current Assets	<u>53,861,424</u>	<u>49,395,268</u>	<u>4,466,156</u>	9.04
Total Assets	<u>68,751,929</u>	<u>68,619,970</u>	<u>131,959</u>	0.19
Deferred Outflows of Resources	<u>5,978,764</u>	<u>2,303,959</u>	<u>3,674,805</u>	159.50
Current Liabilities	3,163,044	2,887,028	276,016	9.56
Non-Current Liabilities	<u>34,468,410</u>	<u>31,866,094</u>	<u>2,602,316</u>	8.17
Total Liabilities	<u>37,631,454</u>	<u>34,753,122</u>	<u>2,878,332</u>	8.28
Deferred Inflows of Resources	<u>1,142,524</u>	<u>938,631</u>	<u>203,893</u>	21.72
Net Investment in Capital Assets	33,619,844	30,395,086	3,224,758	10.61
Restricted	6,309,627	7,565,053	(1,255,426)	(16.60)
Unrestricted	<u>(3,972,756)</u>	<u>(2,727,963)</u>	<u>(1,244,793)</u>	45.63
Total Net position	<u>35,956,715</u>	<u>35,232,176</u>	<u>724,539</u>	2.06



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(continued)

**Net Position (Continued)**

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes.

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	14,350,928	14,456,031	(105,103)	(0.73)
Non-operating Revenues	<u>222,796</u>	<u>206,533</u>	<u>16,263</u>	7.87
Total Revenues	<u>14,573,724</u>	<u>14,662,564</u>	<u>(88,840)</u>	(0.61)
Depreciation	2,043,922	1,985,169	58,753	2.96
Other Operating Expense	10,406,273	11,498,981	(1,092,708)	(9.50)
Other Non-operating Expense	<u>402,866</u>	<u>508,518</u>	<u>(105,652)</u>	(20.78)
Total Expenses	<u>12,853,061</u>	<u>13,992,668</u>	<u>(1,139,607)</u>	(8.14)
Change in Net Position	1,720,663	669,896	1,050,767	156.86
Net Position, January 1	35,956,715	35,232,176	724,539	2.06
Contributed Capital	<u>                    </u>	<u>54,643</u>	<u>(54,643)</u>	100.00
Net Position, December 31	<u>37,677,378</u>	<u>35,956,715</u>	<u>1,720,663</u>	4.79

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(continued)

**Net Position (Continued)**

A summary of the Authority's prior year statement of revenues, expenses and change in net position is presented with comparative 2016 figures in the following table:

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	14,456,031	13,546,340	909,691	6.72
Non-operating Revenues	<u>206,533</u>	<u>198,434</u>	<u>8,099</u>	4.08
Total Revenues	<u>14,662,564</u>	<u>13,744,774</u>	<u>917,790</u>	6.68
Depreciation	1,985,169	2,121,648	(136,479)	(6.43)
Other Operating Expense	11,498,981	10,529,733	969,248	9.20
Other Non-operating Expense	<u>508,518</u>	<u>533,293</u>	<u>(24,775)</u>	(4.65)
Total Expenses	<u>13,992,668</u>	<u>13,184,674</u>	<u>807,994</u>	6.13
Change in Net Position	669,896	560,100	109,796	19.60
Net Position, January 1	35,232,176	34,672,076	560,100	1.62
Contributed Capital	<u>54,643</u>	<u>                    </u>	<u>54,643</u>	100.00
Net Position, December 31	<u>35,956,715</u>	<u>35,232,176</u>	<u>724,539</u>	2.06

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(continued)

**Budgetary Highlight**

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

The following tables provides a budget comparison:

**Budget vs. Actual - 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	13,776,090	14,350,928	574,838
Non-Operating	<u>60,000</u>	<u>119,492</u>	<u>59,492</u>
	<u>13,836,090</u>	<u>14,470,420</u>	<u>634,330</u>
Expenses:			
Operating	11,134,083	10,406,273	727,810
Non-Operating	<u>2,702,007</u>	<u>2,699,885</u>	<u>2,122</u>
	<u>13,836,090</u>	<u>13,106,158</u>	<u>729,932</u>
Income Before Depreciation	<u>0</u>	<u>1,364,262</u>	<u>1,364,262</u>

**Budget vs. Actual - 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	12,907,121	14,456,031	1,548,910
Non-Operating	<u>60,000</u>	<u>83,266</u>	<u>23,266</u>
	<u>12,967,121</u>	<u>14,539,297</u>	<u>1,572,176</u>
Expenses:			
Operating	10,871,191	10,208,210	662,981
Non-Operating	<u>2,095,930</u>	<u>2,054,813</u>	<u>41,117</u>
	<u>12,967,121</u>	<u>12,263,023</u>	<u>704,098</u>
Income Before Depreciation	<u>0</u>	<u>2,276,274</u>	<u>2,276,274</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At December 31, 2017, the Authority had invested \$105,930,622 in capital assets. The Authority's net property, plant and equipment at fiscal year end was \$54,505,720. This is an increase of \$644,296 over last year's net property, plant and equipment of \$53,861,424. A summary of the Authority's capital assets is presented in the following table:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>	<u>Dollar Change</u>
Land	1,372,226	1,372,226	0
Treatment Plant and Collection System Plant and Equipment	89,435,177	89,435,177	0
	<u>15,123,219</u>	<u>15,123,219</u>	<u>0</u>
Total Property, Plant and Equipment	105,930,622	105,930,622	0
Less: Accumulated Depreciation	<u>(65,765,800)</u>	<u>(63,721,878)</u>	<u>(2,043,922)</u>
	40,164,822	42,208,744	(2,043,922)
Construction in Progress	<u>14,340,898</u>	<u>11,652,680</u>	<u>2,688,218</u>
Net Property, Plant and Equipment	<u>54,505,720</u>	<u>53,861,424</u>	<u>644,296</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(continued)

The Authority's ongoing capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below:

Wastewater Treatment:

Aeration System Blower Replacement (S3400700-13)	\$600,000
Wastewater Pump Station Improvements (S3400700-15)	6,520,000
Wastewater Treatment Plant Improvements (S3400700-16)	4,060,000
Incinerator Repair	800,000
Collection System Gravity Main Repairs	9,500,000
Collection System Expansion	11,000,000
Replacement Sewer Jet Truck	490,000
Outpost Sewer Inspection Camera	115,000
Fiber Optic Pump Station (HHKPS & MPPS Communication Cable)	55,000
Upgrade Incinerator CEM Software	85,000
Goffle Road PS PLC Replacement	<u>100,000</u>
	<u>\$33,325,000</u>

**Debt Administration**

At December 31, 2017, the Authority had outstanding New Jersey Environmental Infrastructure Fund bonds and revenue refunding bonds in the amount of \$18,580,025. The debt service schedules goes out to 2034. Full details of the specific bond issues outstanding are found in Note 6 to the financial statements and the supplementary schedules.

**Economic Factors, Future Years' Budgets and Rates**

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

**Contacting the Authority**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Northwest Bergen County Utilities Authority, 30 Wyckoff Avenue, P.O. Box 255, Waldwick, New Jersey 07463.

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## **Financial Statements**

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**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

	2017	2016
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Unrestricted:		
Cash and Cash equivalents	\$ 5,239,164	\$ 6,873,251
Intergovernmental Receivable	3,096	3,096
Inventory	691,732	701,818
Prepaid Items	144,296	152,130
	6,078,288	7,730,295
Restricted:		
Project Construction Fund (NJEIT)		
Loan Receivable-NJEIT	424,836	637,666
Operation Account		
Cash and Cash Equivalents	2,855,119	2,783,521
Bond/Loan Service Account		
Cash and Cash Equivalents	1,000,491	1,288,135
Bond/Loan Reserve Account		
Cash and Cash Equivalents	885,960	764,847
Investments	-	670,580
Accrued Interest Receivable	-	15,461
Renewal and Replacement Account		
Cash and Cash Equivalents	3,074,049	1,000,000
	8,240,455	7,160,210
Total Current Assets	14,318,743	14,890,505
<b>Capital Assets:</b>		
Land	1,372,226	1,372,226
Construction in Progress	14,340,898	11,652,680
Treatment Plant and Collection System	89,435,177	89,435,177
Property and Equipment	15,123,219	15,123,219
Less: Accumulates Depreciation	(65,765,800)	(63,721,878)
	54,505,720	53,861,424
Total Capital Assets (net of accumulated depreciation)	54,505,720	53,861,424
<b>TOTAL ASSETS</b>	<b>68,824,463</b>	<b>68,751,929</b>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Savings on Refunding	\$ 303,264	\$ 346,588
Deferred Outflows Related to Pensions	<u>5,632,176</u>	<u>5,632,176</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>5,935,440</u>	<u>5,978,764</u>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 312,751	\$ 348,354
Accrued Salary and Related Benefits	37,709	32,154
Accounts Payable - Pension Related	540,000	540,000
Escrow Deposits Payable	5,000	5,000
Unearned Revenues	37,990	15,350
Other Liabilities	<u>2,250</u>	<u>2,250</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>935,700</u>	<u>943,108</u>
Payable from Restricted Assets:		
Revenue Bonds and Loans Payable	2,001,449	2,007,019
Accrued Interest on Bonds and Loans	<u>190,312</u>	<u>212,917</u>
Total Current Liabilities Payable from Restricted Assets	<u>2,191,761</u>	<u>2,219,936</u>
<b>Non-Current Liabilities</b>		
Revenue Bonds and Loans Payable	16,578,576	18,076,291
Accrued Compensated Absences	270,873	283,061
Net Pension Obligation	<u>16,109,058</u>	<u>16,109,058</u>
Total Non-Current Liabilities	<u>32,958,507</u>	<u>34,468,410</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 36,085,968</u>	<u>\$ 37,631,454</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
<b>Deferred Inflows:</b>		
Deferred Savings on Refunding	\$ 90,854	\$ 103,833
Unamortized Premiums	905,703	1,038,691
	<u>996,557</u>	<u>1,142,524</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets	35,657,238	33,619,844
Restricted:		
Operating Reserve Fund	2,855,119	2,783,521
Bond / Loan Service Fund	810,179	1,075,218
Bond / Loan Reserve Fund	885,960	1,450,888
Renewal and Replacement Fund	3,074,049	1,000,000
Unrestricted		
Designated for Capital Improvements	2,901,106	2,292,820
Undesignated	<u>(8,506,273)</u>	<u>(6,265,576)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 37,677,378</u>	<u>\$ 35,956,715</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

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**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenue:</b>		
Member Service Fees	\$ 12,491,090	\$ 12,087,121
Sewer Connection Fees	593,391	838,031
Discharge Fees	3,200	5,700
Industrial Pretreatment Program	24,060	37,985
Outside Sludge	981,834	1,159,398
Collection System	51,162	43,735
Solar Renewable Energy Certificates	87,975	91,126
Miscellaneous	118,216	192,935
	<u>14,350,928</u>	<u>14,456,031</u>
<b>Total Operating Revenue</b>		
<b>Operating Expenses:</b>		
Administrative and Executive:		
Salaries & Wages	756,039	661,924
Fringe Benefits	405,430	578,718
Other Expenses	623,377	666,523
Cost of Services:		
Salaries & Wages	3,521,634	3,434,499
Fringe Benefits	1,888,498	3,002,778
Other Expenses	3,211,295	3,154,539
Depreciation Expense	2,043,922	1,985,169
	<u>12,450,195</u>	<u>13,484,150</u>
<b>Total Operating Expenses</b>		
<b>Operating Income</b>	<u>1,900,733</u>	<u>971,881</u>
<b>Non-Operating Revenue (Expenses):</b>		
FEMA - Hurricane Reimbursement	661	-
Interest Income	119,492	83,266
Interest Expense	(402,866)	(399,979)
Amortization Expense	102,643	123,267
Costs of Issuance Expense	-	(108,539)
	<u>(180,070)</u>	<u>(301,985)</u>
<b>Non-Operating Income (Loss)</b>		
<b>Change In Net Position</b>	1,720,663	669,896
<b>Total Net Position - January 1,</b>	35,956,715	35,232,176
Contributed Capital	<u>54,643</u>	
<b>Total Net Position - December 31,</b>	<u>\$ 37,677,378</u>	<u>\$ 35,956,715</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

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**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Members	\$ 12,491,090	\$ 12,087,121
Cash Received from Other Operating Fees	1,764,262	2,300,853
Cash Paid to Suppliers	(6,152,916)	(6,191,566)
Cash Paid to Employees	(4,277,673)	(4,073,694)
Cash Received from Miscellaneous Fees	118,216	191,935
Net Cash Provided by Operating Activities	3,942,979	4,314,649
<b>Cash Flow from Capital and Related Financing Activities:</b>		
Proceeds from NJEIT Loans Receivable	716,564	3,015,960
Bond Principal Paid	(2,007,019)	(1,654,834)
Payment of Debt Issuance Costs		(108,539)
Interest Paid - Bonds and Loans	(425,471)	(417,637)
Acquisition of Fixed Assets	(2,687,557)	(6,393,143)
Net Cash Used for Capital and Related Financing Activities	(4,403,483)	(5,558,193)
<b>Cash Flows from Investing Activities:</b>		
Proceeds/(Purchase) of Investments	670,580	-
Interest Received	134,953	87,598
Net Cash Provided by (Used for ) Investing Activities	805,533	87,598
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	345,029	(1,155,946)
<b>Cash and Cash Equivalents, January 1,</b>	12,709,754	13,865,700
<b>Cash and Cash Equivalents December, 31,</b>	\$ 13,054,783	12,709,754
<b>Analysis of Balance at December 31,</b>		
Unrestricted - Cash and Cash Equivalents	5,239,164	6,873,251
Restricted - Cash and Cash Equivalents	7,815,619	5,836,503
	13,054,783	12,709,754

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Income</b>	\$ 1,900,733	\$ 971,881
<b>Adjustments to Reconcile Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Depreciation Expense	2,043,922	1,985,169
(Increase)/Decrease in Accounts Receivable		159,768
(Increase)/Decrease in Inventory	10,086	(46,071)
(Increase)/Decrease in Prepaid Items	7,834	(8,335)
Increase/(Decrease) in Accounts Payable	(35,603)	57,025
Increase/(Decrease) in Accrued Salary and Related Benefits	5,555	(114,186)
Increase/(Decrease) in Accrued Compensated Absences	(12,188)	22,729
Increase/(Decrease) in Other Liabilities		1,788
Increase/(Decrease) in Pension-Related Liabilities and Deferrals		1,290,771
Increase/(Decrease) in Unearned Revenue	22,640	(5,890)
	<u>2,042,246</u>	<u>3,342,768</u>
<b>Total Adjustments</b>	<u>2,042,246</u>	<u>3,342,768</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 3,942,979</u>	<u>\$ 4,314,649</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.



**Notes to Financial Statements**

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**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**1. GENERAL**

The Northwest Bergen County Utilities Authority, successor agency to the Northwest Bergen County Sewer Authority, a public body corporate and politic of the State of New Jersey, was created pursuant to the laws of the State of New Jersey, Chapter 123, P.L. 1946 (as amended and supplemented by N.J.S.A. 40:14B-1) by virtue of a resolution of the Board of Chosen Freeholders of the County of Bergen (the "County") adopted July 23, 1952. The Authority commenced operations in 1969 by providing wastewater collection and treatment services to six municipalities. Currently, the Authority provides wastewater collection and treatment services to ten municipalities.

The Authority operates under the provisions of the Municipal and County Utilities Authorities Law (the "Act") and has broad powers under the Act including, among others, the following: to retain, operate and administer its property; to provide for bonds and to secure their payment and rights of holders thereof; to charge and collect service charges for the use of its facilities and to revise such service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and the interest on any bonds or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority is governed by a Board of Commissioners (the "Board") consisting of nine members, each of whom is appointed by the Bergen County Executive with the advice and consent of the Board of Chosen Freeholders. The Act provides that alternate Commissioners may be appointed. In addition, the County Executive has veto power over the actions of the Board of Commissioners. An Executive Director is appointed by the Board and functions as Chief Executive Officer responsible for the daily operations of the Authority. The Authority would be includable as a component unit of the County of Bergen.

Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant accounting policies:

**A. Basis of Presentation**

The financial statements of the Northwest Bergen County Utilities Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The significant of the Authority's accounting policies are described below.

On January 1, 2013, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**A. Basis of Presentation, (continued)**

- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

**B. Basis of Accounting**

The Northwest Bergen County Utilities Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**C. Grants**

Contributions received from Federal and State grants are recorded in the period received. Grants externally restricted for non-operating purposes are recorded as a change in invested in capital assets, net of related debt.

**D. Prepaid Items**

Certain payments to vendors affect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**E. 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.

**F. Inventory**

The Authority utilizes the consumption method of accounting for inventories whereas they report the inventories they purchase as an asset and defer the recognition of an expenditure until the period in which the inventories are actually consumed.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Treatment Plant	40 years
Collection System	40 years
Pumping Stations	40 years
Machinery and Equipment	5-15 years
Vehicles	5 years

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of net position.

**H. Restricted Accounts**

Under the Bond Resolution dated December 19, 1972 and the Trust Indenture dated September 1, 1984, the following funds are required to be created and held by the Authority's Trustee:

- A) Revenue Fund
- B) Operating Fund
- C) Bond Service Fund
- D) Bond (Loan) Reserve Fund
- E) Renewal and Replacement Fund
- F) General Fund
- G) Construction Fund

Each of the above funds represents separate accounts held by a trustee. In addition to the funds listed above, the Authority maintains an Operating Account and General Improvement Account, which is held by the Authority.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**H. Restricted Accounts, (continued)**

In accordance with the bond resolution, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit of all revenue received by the Authority:

*Project Construction Fund Account* – To account for all financial resources received by the Authority for the payment of costs related to the construction, acquisition or restoration of the systems. All moneys in the Construction Fund Account are hereby pledged pending their application to other purposes or disbursement or transfer to other funds, to secure the payment of the principal or redemption price of and interest on bonds.

*Operating Fund Account* – To account for the payment of all operating costs of the Authority.

*Bond/Loan Service Fund Account* – To account for the accumulation of resources for the payment of principal and interest due during the current fiscal year on outstanding bonds and loans.

*Bond/Loan Reserve Fund Account* – 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. Also, New Jersey Wastewater Trust required an amount which is equal to the maximum annual debt service on outstanding loans.

*Renewal and Replacement Fund Account* – To account for the accumulation of resources to meet the renewal and replacement reserve requirement, as certified by the Authority's consulting engineers, in accordance with the Bond Resolution. The Trustee can withdraw from this fund, upon a certification of the consulting engineers, for the use of reasonable and necessary expenses of the Authority with respect to making of improvements, constructions, reconstructions, replacements, modifications, renewals, major repairs or maintenance or other items not recurring annually or at shorter intervals with respect to the system or any portion thereof. If on any payment date there are insufficient monies in the bond service account and the bond reserve account to pay interest or a principal installment on any bonds when due and the Authority has exhausted the General Account, the Authority has just cause to use monies from the Renewal and Replacement Fund sufficient to pay the interest and/or principal payments when due.

**I. Allowance for Doubtful Accounts**

The Authority has not established an allowance for doubtful accounts.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**J. Operating Fund Budget**

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Authority after legal advertisement and public hearing.

**K. Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets 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. The Authority uses estimates to determine the useful life of depreciable assets. Actual results could differ from those estimates.

**L. Deferred Outflows and Deferred Inflows of Resources**

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Defined Benefit Pension Plans** - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

**Deferred Loss on Refunding of Bonds** - Deferred loss on refunding arising from the issuance of revenue refunding bonds, is recorded as a deferred outflow of resources. The deferred loss is amortized in a systematic and rational method as a component of interest expense.



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**L. Deferred Outflows and Deferred Inflows of Resources, (continued)**

**Bond Discounts/Bond Premiums** - Bond discounts/bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense.

**M. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**N. Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

**O. Net Position**

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**P. Recent Accounting Pronouncements**

The Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The Authority believes this Statement might have a significant impact on future financial statements.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**P. Recent Accounting Pronouncements, (continued)**

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority believes this Statement may have an effect on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, Certain Debt Extinguishment Issues, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents includes change funds, petty cash, amounts in deposits, and short term investments with original maturities of three months or less.

As of December 31, 2017, cash and cash equivalents of the Northwest Bergen County Utilities Authority consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking and Savings Accounts	\$4,437,473	\$4,437,473
Short Term Money Market Accounts	<u>8,617,310</u>	<u>8,617,310</u>
	<u>\$13,054,783</u>	<u>\$13,054,783</u>
		<u>Analysis</u>
Restricted Accounts		7,815,619
Unrestricted Accounts		<u>5,239,164</u>
		<u>\$13,054,783</u>

**Custodial Credit Risk – Deposits**

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2017 and 2016, \$-0- of the Authority's bank balances were exposed to custodial risk.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)**

**Investments**

The Authority is required by its Bond Resolutions and Trust Indenture to maintain each of its investments in the Fund (account) in which the investment is made. 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 investment are regulated by the Bond Resolution and Trust Indenture.

Under the Authority's Bond Resolution and Trust Indenture, the following investments are permitted:

- (a) Any direct and general obligation of, or any obligation fully and unconditionally guaranteed by the United States of America;
- (b) Any bond, debenture, note or other evidence of indebtedness issued by any of the following Federal agencies: Government National Mortgage Association, Federal Home Loan Bank, Tennessee Valley Authority, Farmers Home Administration, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;
- (c) Any other bond, debenture, note or other evidence of indebtedness issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association;
- (d) Any Public Housing Bond issued by any Public Housing Authority and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contribution Contract or Contracts with the United States of America; or any Project Note issued by any Public Housing Authority or Local Public Agency, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- (e) Direct and general obligations of (i) the State of New Jersey, or (ii) of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
- (f) Interest-bearing time deposits or negotiable certificates of deposit issued by any bank, trust company, or savings and loan institution organized under the laws of the United States, any state of the United States of America, or any national banking association (including the Trustee), provided that such certificates of deposit shall be (1) continuously and fully insured

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)**

**Investments, (continued)**

by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, or (2) at any one time do not exceed, in the aggregate, five percent (5%) of the total capital stock, surplus and undivided earnings of any such bank, trust company, national banking association, or savings and loan institution or (3) continuously and fully secured by such securities as are described above in clauses (a) through (d) which are legal for investment under the laws of the State of New Jersey for funds of the Authority, and which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee Bonds shall be entitled to rely on each such undertaking; and

- (g) Any repurchase with (i) any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or (ii) with a Government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which repurchase agreement is secured by any one or more of the securities described in clauses (a) through (c) above.

As of December 31, 2017 and 2016, the Authority had the following investments:

2017

None

<u>2016</u>	<u>Fair Value</u>
U.S. Securities (SLGS) – Treasury	<u>\$670,580</u>
Total Investments	<u>\$670,580</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)**

**Investments, (continued)**

**Custodial Credit Risk – Investments**

For an investment, this is the risk, that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Authority does not have a policy for custodial risk. As of December 31, 2017 and 2016, \$-0- of the Authority's investments were exposed to custodial credit risk.

**Interest Rate Risk**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Authority places no limit on the amount it may invest in any one issuer.

**4. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

The Authority issued bonds through the New Jersey Environmental Infrastructure Trust to finance various improvements to facilities and infrastructure. The proceeds of these bonds are held by the Trust until the Authority expends funds on the respective project. The Authority then submits for reimbursement of these expenditures from the Trust. The following is the remaining amount of funds to be received by the Trust:

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
 (continued)

**4. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, (continued)**

<u>2017</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Temporary</u> <u>Financing</u>	<u>Funds/Credits</u> <u>Received</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Series 2014:				
Trust Portion	52,587		19,698	32,889*
Series 2015:				
Trust Portion	146,271		48,283	97,988
Fund Portion	438,808		144,849	293,959
Temporary Financing	<u>          </u>	<u>503,734</u>	<u>503,734</u>	<u>          </u>
	<u>\$637,666</u>	<u>\$503,734</u>	<u>\$716,564</u>	<u>\$424,836</u>

<u>2016</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Funds</u> <u>Deobligated</u>	<u>Funds/Credits</u> <u>Received</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Series 2012:				
Trust Portion	109,293		109,293	0
Fund Portion	109,293		109,293	0
				0
Series 2014:				
Trust Portion	61,311		8,724	52,587*
Fund Portion	62,565	52,597	9,968	0
				0
Series 2015:				
Trust Portion	819,245		672,974	146,271
Fund Portion	2,457,733		2,018,925	438,808
Capital Interest	<u>86,783</u>	<u>          </u>	<u>86,783</u>	<u>          </u>
	<u>\$3,706,223</u>	<u>\$52,597</u>	<u>\$3,015,960</u>	<u>\$637,666</u>

\*Trust balance was deobligated in 2016. The remaining balance will be applied as project credits in future years.

**5. PROPERTY, PLANT AND EQUIPMENT**

Reference is made to Note 2 for information related to property. A summary of property, plant and equipment for the six months ended December 31, 2017 and 2016 is as follows:

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**5. PROPERTY, PLANT AND EQUIPMENT, (continued)**

<u>2017</u>	<u>Balance Dec. 31, 2016</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance Dec. 31, 2017</u>
Capital Assets, Not Being Depreciated:				
Land	\$1,372,226	\$	\$	\$1,372,226
Construction in Progress	<u>11,652,680</u>	<u>2,688,218</u>	_____	<u>14,340,898</u>
Total Capital Assets, Not Being Depreciated	<u>13,024,906</u>	<u>2,688,218</u>	_____	<u>15,713,124</u>
Capital Assets, Being Depreciated:				
Treatment Plant and Collection System	89,435,177			89,435,177
Property and Equipment	<u>15,123,219</u>	_____	_____	<u>15,123,219</u>
Total Capital Assets Being Depreciated	104,558,396			104,558,396
Less: Accumulated Depreciation	<u>(63,721,878)</u>	<u>(2,043,922)</u>	_____	<u>(65,765,800)</u>
Total Capital Assets, Being Depreciated, Net	<u>40,836,518</u>	<u>(2,043,922)</u>	_____	<u>38,792,596</u>
Capital Assets, Net	<u>\$53,861,424</u>	<u>\$644,296</u>	<u>\$</u>	<u>\$54,505,720</u>

<u>2016</u>	<u>Balance Dec. 31, 2015</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance Dec. 31, 2016</u>
Capital Assets, Not Being Depreciated:				
Land	\$1,372,226	\$	\$	\$1,372,226
Construction in Progress	<u>5,435,218</u>	<u>6,451,325</u>	<u>233,863</u>	<u>11,652,680</u>
Total Capital Assets, Not Being Depreciated	<u>6,807,444</u>	<u>6,451,325</u>	<u>233,863</u>	<u>13,024,906</u>
Capital Assets, Being Depreciated:				
Treatment Plant and Collection System	89,435,177			89,435,177
Property and Equipment	<u>14,889,356</u>	<u>233,863</u>	_____	<u>15,123,219</u>
Total Capital Assets Being Depreciated	104,324,533	<u>233,863</u>		104,558,396
Less: Accumulated Depreciation	<u>(61,736,709)</u>	<u>(1,985,169)</u>	_____	<u>(63,721,878)</u>
Total Capital Assets, Being Depreciated, Net	<u>42,587,824</u>	<u>(1,751,306)</u>	_____	<u>40,836,518</u>
Capital Assets, Net	<u>\$49,395,268</u>	<u>\$4,700,019</u>	<u>\$</u>	<u>\$53,861,424</u>



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

**6. BONDS AND LOANS PAYABLE**

The Authority has the following bonds and loans outstanding as of December 31, 2017 and 2016:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Issued</u>	<u>Retirements/ Repayments</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Series 1997 A1 & B1 NJ Environmental Infrastructure Loan	\$393,133	\$	\$393,133	\$0
Series 1997 A2 & B2 NJ Environmental Infrastructure Loan	126,171		126,171	0
Series 2008 Utility System Revenue Bonds	798,872		159,774	639,098
Series 2009A Utility System Revenue Bonds	1,675,000		540,000	1,135,000
Series 2010B NJ Environmental Infrastructure Loan	2,445,049		160,000	2,285,049
Series 2012A NJ Environmental Infrastructure Loan	3,261,569		184,880	3,076,689
Series 2014A NJ Environmental Infrastructure Loan	446,047		24,619	421,428
Series 2015 NJ Environmental Infrastructure Loan	7,717,469		398,442	7,319,027
Series 2016A Utility System Revenue Refunding Bonds	3,220,000		20,000	3,200,000
Temporary Financing (S340700-13)		<u>503,734</u>		<u>503,734</u>
	<u>\$20,083,310</u>	<u>\$503,734</u>	<u>\$2,007,019</u>	<u>\$18,580,025</u>
Due Within One Year	2,007,019			2,001,449
Long-Term Debt	<u>18,076,291</u>			<u>16,578,576</u>
	<u>\$20,083,310</u>			<u>\$18,580,025</u>

Presented below is a summary of debt service requirements to maturity:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$2,001,449*	\$415,227	\$2,416,676
2019	1,527,714	379,349	1,907,063
2020	1,555,714	312,037	1,867,751
2021	1,589,714	279,169	1,868,883
2022	1,464,940	245,441	1,710,381
2023	1,503,940	205,691	1,709,631
2024	1,543,940	164,241	1,708,181
2025	868,940	118,591	987,531
2026-2030	4,486,134	363,792	4,849,926
2031-2034	<u>2,037,540</u>	<u>65,313</u>	<u>2,102,853</u>
	<u>\$18,580,025</u>	<u>\$2,548,851</u>	<u>\$21,128,876</u>

\*Includes \$503,734 in temporary financing through the NJEIT.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**6. BONDS AND LOANS PAYABLE, (continued)**

**Series 2008 Utility System Revenue Bonds**

The Series 2008 Utility System Revenue Bonds were issued for the purposes of (i) constructing and equipping the Solar Energy Project and (ii) paying for a portion of the related costs of issuance. At December 31, 2017, the outstanding principal and interest on these bonds were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$159,775	\$6,710	\$166,485
2019	159,774	5,032	164,806
2020	159,775	3,356	163,131
2021	<u>159,774</u>	<u>1,678</u>	<u>161,452</u>
	<u>\$639,098</u>	<u>\$16,776</u>	<u>\$655,874</u>

**Series 2009A Utility System Revenue Bonds**

The Series 2009A Utility System Revenue Bonds were issued to provide funds to make a loan to the Northwest Bergen County Utilities Authority. These bonds will be payable from and are secured by payments made on revenue bonds of the Authority, pursuant to the bond purchase agreement entered into between the Northwest Bergen County Utilities Authority and the Bergen County Improvement Authority. On September 20, 2016, the Authority issued the Series 2016A Utility System Revenue Refunding Bonds to partially refund on an advanced basis, the outstanding callable Utility System Revenue Bonds, Series 2009A. This refunding saved the Authority \$346,588 on their outstanding debt. At December 31, 2017, the outstanding principal and interest on these bonds were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$555,000	\$76,125	\$631,125
2019	<u>580,000</u>	<u>53,925</u>	<u>633,925</u>
	<u>\$1,135,000</u>	<u>\$130,050</u>	<u>\$1,265,050</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**6. BONDS AND LOANS PAYABLE, (continued)**

**Series 2010B Environmental Infrastructure Bonds**

The Series 2010B Environmental Infrastructure Bonds were issued through the State of New Jersey Environmental Infrastructure Trust for the purpose of funding an incinerator upgrade. In 2015, the project was completed and the remaining portion of the loan was deobligated and used to defease or portion of the bonds payable. At December 31, 2017, the outstanding principal and interest on these bonds were as follows:

<u>Year</u>	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2018	\$75,000	\$56,805	\$90,000	\$221,805
2019	75,000	53,055	90,000	218,055
2020	73,000	49,305	90,000	212,305
2021	77,000	45,655	90,000	212,655
2022	82,000	41,805	90,000	213,805
2023	86,000	37,705	90,000	213,705
2024	86,000	33,405	90,000	209,405
2025	91,000	29,105	90,000	210,105
2026	96,000	24,555	90,000	210,555
2027	100,000	19,755	90,000	209,755
2028	109,000	15,255	90,000	214,255
2029	113,000	10,350	90,000	213,350
2030	<u>117,000</u>	<u>5,265</u>	<u>25,049</u>	<u>147,314</u>
	<u>\$1,180,000</u>	<u>\$422,020</u>	<u>\$1,105,049</u>	<u>\$2,707,069</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**6. BONDS AND LOANS PAYABLE, (continued)**

**Series 2012A Environmental Infrastructure Bonds**

The Series 2012A Environmental Infrastructure Bonds were issued through the State of New Jersey Environmental Infrastructure Trust for the purpose of funding the Franklin Lakes sewer project. At December 31, 2017, the outstanding principal and interest on these bonds were as follows:

<u>Year</u>	<u>Trust Portion</u>		<u>Fund Portion</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$80,000	\$66,060	\$109,879	\$255,939
2019	85,000	62,060	109,880	256,940
2020	90,000	57,812	109,880	257,692
2021	95,000	53,312	109,879	258,191
2022	100,000	48,562	109,880	258,442
2023	105,000	43,560	109,880	258,440
2024	110,000	38,312	109,880	258,192
2025	115,000	32,812	109,879	257,691
2026	120,000	27,062	109,880	256,942
2027	125,000	21,060	109,880	255,940
2028	130,000	17,312	109,880	257,192
2029	135,000	13,412	109,879	258,291
2030	140,000	9,192	109,879	259,071
2031	<u>145,000</u>	<u>4,712</u>	<u>73,254</u>	<u>222,966</u>
	<u>\$1,575,000</u>	<u>\$495,240</u>	<u>\$1,501,689</u>	<u>\$3,571,929</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**6. BONDS AND LOANS PAYABLE, (continued)**

**Series 2014A Environmental Infrastructure Bonds**

The Series 2014A Environmental Infrastructure Bonds were issued through the State of New Jersey Environmental Infrastructure Trust for the purpose of funding the Franklin Lakes sewer project. At December 31, 2017, the outstanding principal and interest on these bonds were as follows:

<u>Year</u>	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2018	\$10,000	\$9,225	\$14,618	\$33,843
2019	10,000	8,725	14,619	33,344
2020	10,000	8,225	14,618	32,843
2021	15,000	7,725	14,619	37,344
2022	15,000	6,975	14,619	36,594
2023	15,000	6,225	14,618	35,843
2024	15,000	5,475	14,619	35,094
2025	15,000	4,725	14,619	34,344
2026	15,000	4,275	14,618	33,893
2027	15,000	3,825	14,619	33,444
2028	15,000	3,375	14,619	32,994
2029	15,000	2,925	14,618	32,543
2030	20,000	2,475	1,005	23,480
2031	20,000	1,875		21,875
2032	20,000	1,275		21,275
2033	<u>20,000</u>	<u>650</u>		<u>20,650</u>
	<u>\$245,000</u>	<u>\$77,975</u>	<u>\$176,428</u>	<u>\$499,403</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**6. BONDS AND LOANS PAYABLE, (continued)**

**Series 2015 Environmental Infrastructure Bonds**

The Series 2015 Environmental Infrastructure Bonds were issued through the State of New Jersey Environmental Infrastructure Trust for Authority projects. At December 31, 2017, the outstanding principal and interest on these bonds were as follows:

<u>Year</u>	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2018	\$75,000	\$81,950	\$328,442	\$485,392
2019	75,000	78,200	328,441	481,641
2020	80,000	74,450	328,442	482,892
2021	85,000	70,450	328,442	483,892
2022	90,000	66,200	328,441	484,641
2023	95,000	61,700	328,442	485,142
2024	100,000	56,950	328,442	485,392
2025	105,000	51,950	328,441	485,391
2026	110,000	46,700	328,442	485,142
2027	115,000	41,200	328,442	484,642
2028	115,000	36,600	328,441	480,041
2029	120,000	32,000	328,442	480,442
2030	125,000	27,200	328,442	480,642
2031	130,000	22,200	328,441	480,641
2032	135,000	17,000	328,442	480,442
2033	140,000	11,600	328,441	480,041
2034	<u>150,000</u>	<u>6,000</u>	<u>218,961</u>	<u>374,961</u>
	<u>\$1,845,000</u>	<u>\$782,350</u>	<u>\$5,474,027</u>	<u>\$8,101,377</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**6. BONDS AND LOANS PAYABLE, (continued)**

**Series 2016A Utility System Revenue Refunding Bonds**

The Series 2016A Utility System Revenue Refunding Bonds were issued to: (i) refund, on an advanced basis, the outstanding callable Utility System Revenue Bonds, Series 2009A, maturing on July 15, in each of the years 2020 through 2024, inclusive, in the aggregate principal amount of \$3,220,000; (ii) fund the Bond Reserve requirement, if any, and (iii) finance cost of issuance to be incurred in connection therewith through the issuance of its Utility System Revenue Refunding Bonds, 2016 Series A.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$0	\$118,350	\$118,350
2019	0	118,350	118,350
2020	600,000	118,350	718,350
2021	615,000	100,350	715,350
2022	635,000	81,900	716,900
2023	660,000	56,500	716,500
2024	<u>690,000</u>	<u>30,100</u>	<u>720,100</u>
	<u>\$3,200,000</u>	<u>\$623,900</u>	<u>\$3,823,900</u>

**Temporary Financing Trust Loan Program**

The Authority was also granted temporary financing from the New Jersey Environmental Infrastructure Trust in the amount of \$503,734. This loan will be refunded at a future date with long-term bonds issued by the NJEIT. This loan is being used to finance various improvements to the Authority's waste activated sludge and aeration systems including the replacement of two existing aeration blowers with new energy-efficient units, installation of all necessary PLCs and modification to existing MCCs, repair of the existing air distribution piping in the aeration tanks, demolition of four waste activated sludge (WAS) pumps and installation of six new WAS pumps, and replacement of all associated piping.

**7. PENSION**

**Description of Plan** - All required employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**7. PENSION, (continued)**

**Public Employees' Retirement System (PERS)** - Established in January 1955, under provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the state or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**Defined Contribution Retirement Program (DCRP)** - Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**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 government employers do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by the respective system and are considered in the annual actuarial calculation of the required State contribution for the system.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued 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/treasurey/pensions](http://www.state.nj.us/treasurey/pensions).

**Basis of Accounting**

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



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**7. PENSION, (continued)**

**Investment Valuation**

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

**Funding Status and Funding Progress**

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

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

**Employer and Employee Pension Contributions**

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

7. **PENSION, (continued)**

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. PERS employer contributions are made annually by the Authority to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2017, 2016 and 2015, the Authority was required to contribute for normal cost pension contributions accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equalized the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$484,956	425
2016	435,835	784
2015	406,536	462

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68**

**Public Employees Retirement System (PERS)**

At December 31, 2017 and 2016, the Authority reported a liability of \$16,109,058 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority has not updated the net pension obligation, pension-related deferred outflow, accounts payable – pension or pension-related deferred inflow accounts to a measurement date acceptable under current accounting standards for the period ended December 31, 2017. Government Accounting Standards Board Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources and net position has not been determined. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2016, the Authority's proportion was 0.0543910140 percent, which was an increase of 0.0036967163 percent from its proportion measured as of June 30, 2015.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

7. **PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

For the year ended December 31, 2016, the Authority recognized pension expense of \$1,726,606. At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$3,336,936	\$
Net difference between projected and actual earnings on pension plan investments	913,833	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	810,893	
Authority contributions subsequent to the measurement date	<u>570,514</u>	<u>          </u>
Total	<u>\$5,632,176</u>	<u>\$ -0-</u>

The \$570,514 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2017 and 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended December 31, 2017 and 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$957,022
2018	957,022
2019	1,108,742
2020	931,506
2021	296,477

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

7. **PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Additional Information**

Local Group Collective balances at December 31, 2017 and 2016 are as follows:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Collective deferred outflows of resources	N/A	\$8,685,338,380
Collective deferred inflows of resources	N/A	870,133,595
Collective net pension liability	N/A	29,617,131,759
Authority's Proportion	N/A	0.0543910140%

N/A - Actuary valuation was not available as of the date of these financial statements.

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. The total pension liability for the July 1, 2015 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2026	1.65%-4.15% Percent (based on age)
Thereafter	2.65%-5.15% Percent (based on age)
Investment Rate of Return	7.65% Percent

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

7. **PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2013 based on Projection Scale MP-2014.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

7. **PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2016</u>		
	<u>1%</u>	<u>At Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Authority's proportionate share of the pension liability	\$19,739,771	\$16,109,058	\$13,111,590

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

7. **PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

8. **POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for local government employees including the Authority. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, a SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund – Loan Government classified as a cost sharing multiple-employer plan.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

**State Health Benefits Program Funds (HBPF) – Local Government** (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

**8. POST-RETIREMENT MEDICAL BENEFITS, (continued)**

with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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 the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

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

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase in does not apply, and contributions based on the full percentage rate of contribution are required.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

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



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(continued)**

**8. POST-RETIREMENT MEDICAL BENEFITS, (continued)**

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

**9. COMPENSATED ABSENCES**

The Authority accounts for compensated absences (e.g., unused vacation sick leave) as directed by the Governmental Accounting Standards Board. A liability for compensated absences attributable to services rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Authority employees are granted varying amounts of vacation and sick leave in accordance with the Authority's personnel policy and union agreements. Upon termination, employees are paid for accrued vacation. The Authority's policy permits employees to accumulate unused sick leave and carry forward certain amounts to subsequent years. Upon retirement, employees shall be paid by the Authority for the unused sick leave in accordance with the Authority's agreements with the employee union.

At December 31, 2017 and 2016, compensated absences accrued for Authority employees were \$270,873 and \$283,061, respectively.

**10. AMOUNTS REQUIRED BY BOND RESOLUTION AND LOAN AGREEMENTS**

The Authority's bond resolutions and loan agreements contain certain covenants that require certain funds to be restricted. The balances required at December 31, 2017 and 2016 were as follows:

**Operating Reserve**

The Authority's Bond Resolution requires that an operating reserve fund be established in an amount necessary for operating expenses which is consistent with the annual operating budget for the three-month period commencing on the last day of each quarter in any fiscal year and to be transferred within ten days thereafter to the operating account. At December 31, 2017 and 2016, the Authority's operating reserve was \$2,855,119 and \$2,783,521, respectively.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

**10. AMOUNTS REQUIRED BY BOND RESOLUTION AND LOAN AGREEMENTS, (continued)**

**Bond/Loan Service Fund**

The Authority's Bond Resolution requires a bond/loan service fund be established in an amount equal to the aggregate of (a) all interest payable on all outstanding bonds plus (b) the principal installment of all bonds outstanding in such a bond year. At December 31, 2017 and 2016, the Authority had reserved the following to meet this requirement:

	<u>2017</u>	<u>2016</u>
Bond Service Fund	\$810,179	\$1,075,218
Accrued Interest Payable	<u>190,312</u>	<u>212,917</u>
Cash, Cash Equivalents and Receivables - Reserved	<u>\$1,000,491</u>	<u>\$1,288,135</u>

**Bond/Loan Reserve**

The Authority's Bond Resolution requires a bond reserve fund be established in an amount equal to the Maximum Aggregate Debt Service, including bonds issued through the 1997 New Jersey Wastewater Trust. At December 31, 2017 and 2016, the Authority held cash, cash equivalents, investments and accrued interest receivable in the amounts of \$885,960 and \$1,450,888, respectively, to fund this bond/loan reserve requirement.

**Renewal and Replacement Fund**

The Authority's Bond Resolution requires that a renewal and replacement reserve fund be established in an amount greater than \$250,000 or an amount certified by a Consulting Engineer in a written certificate filed with the Authority. At December 31, 2017 and 2016, the Authority's renewal and replacement reserve was \$3,074,049 and \$1,000,000, respectively.

**11. 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.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(continued)

**12. COMMITMENTS AND CONTINGENCIES**

The Authority is a party defendant in certain lawsuits, none of a kind unusual for an Authority of its size and scope of operation. In the opinion of the Authority's Counsel, there are presently no claims for which the outcome can presently be predicted.

**13. 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. During 2009, the Authority had performed the initial 5-year calculation as required under the 1986 Tax Reform Act to determine if there were any estimated arbitrage earnings due to the IRS. Based upon the initial 5-year calculation performed for the computation period January 13, 2004 through December 31, 2008, there was a liability required to be rebated to the IRS in the amount of \$377,237, which includes \$20,311 of accrued interest liability. The \$377,237 due to the IRS was paid in full by the Authority in May, 2010. During 2013, the Authority had performed the second calculation as required under the 1986 Tax Reform Act to determine if there were any estimated arbitrage earnings due to the IRS. Based upon the second calculation performed for the computation period January 13, 2004 through July 15, 2013, there was a liability required to be rebated to the IRS in the amount of \$352,250. The \$352,250 due to the IRS was paid in full by the Authority in September, 2013. During 2014, the Authority has performed the third calculation for the computation period December 4, 2008 through December 4, 2013 which resulted in a liability required to be rebated to the IRS in the amount of \$7,488, which includes \$219 of accrued interest liability. The \$7,488 due to the IRS was paid in full by the Authority in November, 2014. At December 31, 2017, the Authority had no arbitrage earnings due to the IRS.

**14. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through March 15, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

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**Required Supplementary Information - Part II**

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**SCHEDULE RSI-1**

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System (PERS)  
Last Four Fiscal Years**

	<u>Measurement Date Ending June 30,</u>			
	<u>2017*</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	N/A	0.0543910140%	0.0506942977%	0.0493138176%
Authority's Proportionate Share of the Net Pension Liability	N/A	\$16,109,058	\$11,379,854	\$9,232,895
Authority's Covered-Employee Payroll	\$3,788,461	\$3,822,422	\$3,720,083	\$3,488,184
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	N/A	421.44%	305.90%	264.69%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

\*Actuary valuation at June 30, 2017 was not available at time of audit.

**SCHEDULE RSI-2**

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
Required Supplementary Information  
Schedule of the Authority's Contributions  
Public Employees' Retirement System (PERS)  
Last Four Fiscal Years**

	Fiscal Year ended December 31,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractual Required Contribution	\$484,956	\$435,835	\$406,536	\$368,940
Contributions in Relation to the Contractually Required Contribution	<u>(484,956)</u>	<u>(435,835)</u>	<u>(406,536)</u>	<u>(368,940)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$3,788,461	\$3,822,422	\$3,720,083	\$3,488,184
Contributions as a Percentage of Authority's Covered-Employee Payroll	12.80%	11.40%	10.93%	10.58%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**Notes to Required Supplementary Information**  
**For the Year ended December 31, 2017**

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

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016, in accordance with Paragraph 44 of GASB Statement No. 67.

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**Supplementary Schedules**

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NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
 SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
 FOR YEAR ENDED DECEMBER 31, 2017

	Net Investment in Capital Assets	Restricted			Unrestricted		Total
		Operating Reserve	Bond / Loan Service	Bond / Loan Reserve	Renewal and Replacement	Designated for Construction Improvements	
<b>Operating Revenue:</b>							
Member Service Fees						12,491,090	12,491,090
Sewer Connection Fees						593,391	593,391
Discharge Fees						3,200	3,200
Industrial Pretreatment Program						24,060	24,060
Outside Sludge						981,834	981,834
Collection System						51,162	51,162
Solar Renewable Energy Certificates						87,975	87,975
Miscellaneous						118,216	118,216
<b>Total Operating Revenue</b>						<b>14,350,928</b>	<b>14,350,928</b>
<b>Operating Expense:</b>							
Administrative						1,784,846	1,784,846
Cost of Providing Services						8,621,427	8,621,427
Depreciation	2,043,922						2,043,922
<b>Total Operating Expense</b>	<b>2,043,922</b>					<b>10,406,273</b>	<b>12,450,195</b>
<b>Operating Income</b>	<b>(2,043,922)</b>					<b>3,944,655</b>	<b>1,900,733</b>
<b>Non-Operating Revenue (Expense):</b>							
FEMA - Hurricane Reimbursements						661	661
Interest Income					2,692	116,800	119,492
Interest Expense						(402,866)	(402,866)
Amortization Expense	102,643						102,643
<b>Net Income (Loss) Before Transfers</b>	<b>(1,941,279)</b>					<b>(285,405)</b>	<b>(180,070)</b>
<b>Transfers:</b>							
Capital Expenditures	2,688,218				(533,488)		
Bond Principal Payments	2,007,019					(242,523)	(1,912,207)
NJEIT Receipts / Credits	(716,564)	71,598	(265,039)	(564,928)	2,607,537	848,117	
Other Transfers							
<b>Increase/(Decrease) in Net Position</b>	<b>2,037,394</b>	<b>71,598</b>	<b>(265,039)</b>	<b>(564,928)</b>	<b>2,074,049</b>	<b>608,286</b>	<b>1,720,663</b>
<b>Net Position - January 1, 2016</b>	<b>33,619,844</b>	<b>2,783,521</b>	<b>1,075,218</b>	<b>1,450,888</b>	<b>1,000,000</b>	<b>2,292,820</b>	<b>35,956,715</b>
<b>Net Position - December 31, 2016</b>	<b>35,657,238</b>	<b>2,855,119</b>	<b>810,179</b>	<b>885,960</b>	<b>3,074,049</b>	<b>2,901,106</b>	<b>37,677,378</b>

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SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH

FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Accounts	Revenue Account	Bond/Loan Service Accounts	Bond/Loan Reserve Account
<b>Cash, Cash Equivalents and Investments - January 1, 2017</b>	5,219,298	674,995	2,742,333	1,450,888
<b>Cash Receipts:</b>				
Interest on Investments		92,032		33,580
Member Service Fees		12,491,090		
Other Operating Fees		1,764,262		
Miscellaneous		118,216		
NJEIT Reimbursements	716,564			
Transfers	8,477,702	-	907,807	-
<b>Total Cash Receipts</b>	<u>9,194,266</u>	<u>14,465,600</u>	<u>907,807</u>	<u>33,580</u>
<b>Cash and Investments Available</b>	<u>14,413,564</u>	<u>15,140,595</u>	<u>3,650,140</u>	<u>1,484,468</u>
<b>Cash Disbursements:</b>				
Operations	10,430,589			
Construction	2,444,034			
Debt Service Payments			2,432,490	
Transfers		11,498,256	-	803,770
<b>Total Cash Disbursements</b>	<u>12,874,623</u>	<u>11,498,256</u>	<u>2,432,490</u>	<u>803,770</u>
<b>Cash, Cash Equivalents and Investments - December 31, 2017</b>	<u>1,538,941</u>	<u>3,642,339</u>	<u>1,217,650</u>	<u>680,698</u>
<b>Analysis of Balance:</b>				
Cash and Cash Equivalents	1,538,941	3,642,339	1,217,650	680,698
Investments	-	-	-	-
	<u>1,538,941</u>	<u>3,642,339</u>	<u>1,217,650</u>	<u>680,698</u>
Unrestricted	1,538,941	787,220	217,159	(205,262)
Restricted	-	2,855,119	1,000,491	885,960
	<u>1,538,941</u>	<u>3,642,339</u>	<u>1,217,650</u>	<u>680,698</u>

NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY

**SCHEDULE 2**

Page 2 of 2

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Renewal and Replacement Account	Construction Improvement Account	Total
<b>Cash, Cash Equivalents and Investments - January 1, 2017</b>	1,000,000	2,292,820	13,380,334
<b>Cash Receipts:</b>			
Interest on Investments	6,649	2,692	134,953
Member Service Fees			12,491,090
Other Operating Fees			1,764,262
Miscellaneous			118,216
NJEIT Reimbursements			716,564
Transfers	2,067,400	849,117	12,302,026
<b>Total Cash Receipts</b>	<u>2,074,049</u>	<u>851,809</u>	<u>27,527,111</u>
<b>Cash and Investments Available</b>	<u>3,074,049</u>	<u>3,144,629</u>	<u>40,907,445</u>
<b>Cash Disbursements:</b>			
Operations			10,430,589
Construction		243,523	2,687,557
Debt Service Payments			2,432,490
Transfers	-		12,302,026
<b>Total Cash Disbursements</b>	<u>-</u>	<u>243,523</u>	<u>27,852,662</u>
<b>Cash, Cash Equivalents and Investments - December 31, 2017</b>	<u>3,074,049</u>	<u>2,901,106</u>	<u>13,054,783</u>
<b>Analysis of Balance:</b>			
Cash and Cash Equivalents	3,074,049	2,901,106	13,054,783
Investments	-	-	-
	<u>3,074,049</u>	<u>2,901,106</u>	<u>13,054,783</u>
Unrestricted	-	2,901,106	5,239,164
Restricted	3,074,049	-	7,815,619
	<u>3,074,049</u>	<u>2,901,106</u>	<u>13,054,783</u>



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED**  
**BY OPERATING REVENUE COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>FY 2017 Adopted Budget</u>	<u>FY 2017 Budget as Amended</u>	<u>Current Year Actual</u>	<u>Excess / (Deficit)</u>	<u>Prior Year Actual</u>
<b>Revenues</b>					
Operating Revenues:					
Service Charges	12,491,090	12,491,090	12,491,090	-	12,087,121
Sewer Connection Fees	400,000	400,000	593,391	193,391	838,031
Outside Sludge Discharge Fees	650,000	650,000	981,834	331,834	1,159,398
Industrial Pretreatment Program	55,000	55,000	24,060	(30,940)	37,985
Collection System	50,000	50,000	51,162	1,162	43,735
Solar Renewable Energy Certificates (SREC)	70,000	70,000	87,975	17,975	91,126
Miscellaneous	60,000	60,000	121,416	61,416	192,935
Non-Operating Revenues:					
Interest on Investments	60,000	60,000	119,492	59,492	83,266
<b>Total Revenues</b>	<u>13,836,090</u>	<u>13,836,090</u>	<u>14,470,420</u>	<u>634,330</u>	<u>14,539,297</u>
<b>Expenses</b>					
Operating Appropriations:					
Administration					
Personnel:					
Salaries and wages	592,100	592,100	756,039	(163,939)	661,924
Fringe Benefits	329,098	329,098	405,430	(76,332)	370,148
Other Expenses:					
Professionals	595,000	595,000	471,755	123,245	477,000
Communication	52,000	52,000	48,658	3,342	47,456
Executive Management	14,800	14,800	4,741	10,059	5,693
	<u>168,000</u>	<u>168,000</u>	<u>98,223</u>	<u>69,777</u>	<u>136,374</u>
	<u>1,750,998</u>	<u>1,750,998</u>	<u>1,784,846</u>	<u>(33,848)</u>	<u>1,698,595</u>
Cost of Producing Services					
Personnel:					
Salaries and wages	3,579,981	3,579,981	3,521,634	58,347	3,434,499
Fringe Benefits	2,021,604	2,021,604	1,888,498	133,106	1,920,577
Other Expenses:					
Utilities	1,417,000	1,417,000	1,283,811	133,189	1,180,533
Insurance	170,000	170,000	161,519	8,481	155,822
Vehicles	95,500	95,500	70,447	25,053	55,947
Collection System	345,000	345,000	295,753	49,247	241,294
Sewage Treatment & Laboratory	356,500	356,500	347,536	8,964	276,878
Solids Disposal	1,170,000	1,170,000	921,274	248,726	1,014,217
Buildings & Grounds/Road	227,500	227,500	130,955	96,545	229,848
	<u>9,383,085</u>	<u>9,383,085</u>	<u>8,621,427</u>	<u>761,658</u>	<u>8,509,615</u>
<b>Total Operating Appropriations</b>	<u>11,134,083</u>	<u>11,134,083</u>	<u>10,406,273</u>	<u>727,810</u>	<u>10,208,210</u>
Non-Operating Appropriations:					
Debt Service					
Bond and Loan Principal	1,977,019	1,977,019	1,997,019	(20,000)	1,654,834
Interest on Bonds and Notes	424,988	424,988	402,866	22,122	399,979
Renewal and Replacement Reserve	300,000	300,000	300,000	-	-
<b>Total Non-Operating Appropriations</b>	<u>2,702,007</u>	<u>2,702,007</u>	<u>2,699,885</u>	<u>2,122</u>	<u>2,054,813</u>
<b>Total Appropriations</b>	<u>13,836,090</u>	<u>13,836,090</u>	<u>13,106,158</u>	<u>729,932</u>	<u>12,263,023</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>FY 2017 Adopted Budget</u>	<u>FY 2017 Budget as Amended</u>	<u>Current Year Actual</u>	<u>Excess / (Deficit)</u>	<u>Prior Year Actual</u>
<b>Excess (Deficit) of Revenues Over Expenses</b>	-	-	1,364,262		2,276,274
<b>Reconciliation of Budgetary Basis to GAAP:</b>					
Unrestricted Net Position			-		-
Accrued Principal on Bonds/Loans Payable			1,997,019		1,654,834
Amortization Expense			102,643		123,267
Renewal and Replacement Reserve			300,000		-
FEMA Reimbursements			661		-
Net Pension Adjustments			-		(1,290,771)
Debt Issuance Cost Expense			-		(108,539)
Depreciation			(2,043,922)		(1,985,169)
<b>Change in Net Position</b>			<u>1,720,663</u>		<u>669,896</u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**SCHEDULE OF CAPITAL BUDGET PROGRAM  
FUNDED BY FINANCING SOURCES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Project Number</u>	<u>FY 2017 Adopted Budget</u>	<u>FY 2017 Budget as Amended</u>	<u>Current Year Actual</u>	<u>Excess / (Deficit)</u>
<b>Financing Sources:</b>					
Renewal and Replacement Reserve		400,000	400,000	533,488	(133,488)
Proceeds of NJEIT Loans		6,775,200	6,775,200	1,912,207	4,862,993
Unrestricted - Designated Net Position		150,000	150,000	242,523	(92,523)
		<u>7,325,200</u>	<u>7,325,200</u>	<u>2,688,218</u>	<u>4,636,982</u>
<b>Capital Outlays:</b>					
Franklin Lakes Sewer Repairs <sup>(3)</sup>	1110	-	-	81	(81)
Incinerator Repairs <sup>(2)</sup>	1119	-	-	383,267	(383,267)
Goffle Rd PS Upgrade / Midland Park Pumps <sup>(1)</sup>	1121	-	-	47,441	(47,441)
Waste Sludge Pumping System <sup>(2)</sup>	1124	-	-	769,753	(769,753)
Pump Station Improvements <sup>(2)</sup>	1126	2,500,000	2,500,000	215,201	2,284,799
Waste Solids Dewatering System <sup>(2)</sup>	1128	3,575,200	3,575,200	226,436	3,348,764
Plant Security Upgrades <sup>(2)</sup>	1129	300,000	300,000	31,091	268,909
Plant Security Upgrades <sup>(3)</sup>	1129	150,000	150,000	-	150,000
Midland Park Sewer Collapse <sup>(3)</sup>	1131	-	-	62,066	(62,066)
Secondary Heat Exchanger <sup>(3)</sup>	1132	-	-	70,324	(70,324)
Miscellaneous Capital Expenditures <sup>(3)</sup>	1133	-	-	110,052	(110,052)
Collection System - Woodside Main Repair <sup>(2)</sup>	1134	400,000	400,000	286,459	113,541
Collection System - Trunk Sewer East Rehab <sup>(1)</sup>	1135	400,000	400,000	486,047	(86,047)
<b>Total Capital Outlays</b>		<u>7,325,200</u>	<u>7,325,200</u>	<u>2,688,218</u>	<u>4,636,982</u>
<b>Total Costs Funded by Capital Revenue</b>		<u>7,325,200</u>	<u>7,325,200</u>	<u>2,688,218</u>	<u>4,636,982</u>
<b>Add: Excess</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>7,325,200</u>	<u>7,325,200</u>	<u>2,688,218</u>	<u>4,636,982</u>

<sup>(1)</sup> Funded by Renewal and Replacement Fund.

<sup>(2)</sup> Funded by Proceeds of NJEIT Loans.

<sup>(3)</sup> Funded by Unrestricted - Designated Net Position

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**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2017	Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
New Jersey Environmental Infrastructure Loan - Series 1997 A1 & B1 Trust Portion				223,747		223,747	-
New Jersey Environmental Infrastructure Loan - Series 1997 A1 & B1 Fund Portion				169,386		169,386	-
New Jersey Environmental Infrastructure Loan - Series 1997 A2 & B2 Trust Portion				126,171	-	126,171	-

NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities Date	Outstanding Maturities December 31, 2017 Amount	Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
Utility System Revenue Bonds, Series 2008								
		1.05%	2018	159,775				
		1.05%	2019	159,774				
		1.05%	2020	159,775				
		1.05%	2021	159,774				
					798,872		159,774	639,098
Utility System Revenue Bonds, Series 2009A								
		16.83%	2018	555,000				
		29.12%	2019	580,000				
					1,675,000		540,000	1,135,000

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2017	Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
New Jersey Environmental Infrastructure Trust - Series 2010B Trust Portion		5.00%	75,000				
		5.00%	75,000				
		5.00%	73,000				
		5.00%	77,000				
		5.00%	82,000				
		5.00%	86,000				
		5.00%	86,000				
		5.00%	91,000				
		5.00%	96,000				
		5.00%	100,000				
		5.00%	109,000				
	5.00%	113,000					
	5.00%	117,000					
				1,250,000		70,000	1,180,000
New Jersey Environmental Infrastructure Fund - Series 2010B Fund Portion		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	90,000				
		n/a	25,049				
				1,195,049		90,000	1,105,049

NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2017	Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
New Jersey Environmental Infrastructure Trust - Series 2012A Trust Portion		5.00%	80,000				
		5.00%	85,000				
		5.00%	90,000				
		5.00%	95,000				
		5.00%	100,000				
		5.00%	105,000				
		5.00%	110,000				
		5.00%	115,000				
		5.00%	120,000				
		3.00%	125,000				
		3.00%	130,000				
		3.13%	135,000				
		3.20%	140,000				
	3.25%	145,000					
				1,650,000		75,000	1,575,000
New Jersey Environmental Infrastructure Loan - Series 2012A Fund Portion		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	109,880				
		n/a	73,253				
				1,611,569		109,880	1,501,689



NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Date	Outstanding Maturities		Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
				December 31, 2017	Amount				
New Jersey Environmental Infrastructure Trust - Series 2014A Trust Portion		3.77%	2018		10,000				
		3.71%	2019		10,000				
		3.66%	2020		10,000				
		3.59%	2021		15,000				
		3.49%	2022		15,000				
		3.36%	2023		15,000				
		3.22%	2024		15,000				
		3.05%	2025		15,000				
		3.05%	2026		15,000				
		3.06%	2027		15,000				
		3.07%	2028		15,000				
		3.08%	2029		15,000				
		3.09%	2030		20,000				
	3.13%	2031		20,000					
	3.19%	2032		20,000					
	3.25%	2033		20,000					
						255,000		10,000	245,000

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2017	Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
New Jersey Environmental Infrastructure Loan - Series 2014 A Fund Portion		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	14,619				
		n/a	1,005				
			191,047			14,619	176,428

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Date	Outstanding Maturities		2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
				December 31, 2017	Amount			
New Jersey Environmental Infrastructure Loan - Series 2015 Trust Portion		5.00%	2018		75,000			
		5.00%	2019		75,000			
		5.00%	2020		80,000			
		5.00%	2021		85,000			
		5.00%	2022		90,000			
		5.00%	2023		95,000			
		5.00%	2024		100,000			
		5.00%	2025		105,000			
		5.00%	2026		110,000			
		4.00%	2027		115,000			
		4.00%	2028		115,000			
		4.00%	2029		120,000			
		4.00%	2030		125,000			
		4.00%	2031		130,000			
	4.00%	2032		135,000				
	4.00%	2033		140,000				
	4.00%	2034		150,000				
								1,915,000
							70,000	1,845,000

NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Date	Outstanding Maturities		Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
				December 31, 2017	Amount				
New Jersey Environmental Infrastructure Loan - Series 2015 Fund Portion		n/a	2018		328,442				
		n/a	2019		328,442				
		n/a	2020		328,442				
		n/a	2021		328,442				
		n/a	2022		328,442				
		n/a	2023		328,442				
		n/a	2024		328,442				
		n/a	2025		328,442				
		n/a	2026		328,442				
		n/a	2027		328,442				
		n/a	2028		328,442				
		n/a	2029		328,442				
		n/a	2030		328,442				
		n/a	2031		328,442				
		n/a	2032		328,442				
	n/a	2033		328,442					
	n/a	2034		218,961					
						5,802,469		328,442	5,474,027

NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Date	Outstanding Maturities December 31, 2017	Amount	Balance Jan. 1, 2017	2017 Issued	2017 Redeemed	Balance Dec. 31, 2017
Utility System Revenue Bonds, Series 2016A									
		3.00%	2020	600,000					
		3.00%	2021	615,000					
		4.00%	2022	635,000					
		4.00%	2023	660,000					
		4.00%	2024	690,000		3,220,000		20,000	3,200,000
New Jersey Environmental Infrastructure Loan - Temporary Financing (\$340700-13)									
			2018	503,734			503,734	-	503,734
						20,083,310	503,734	2,007,019	18,580,025
						2,007,019			2,001,449
						18,076,291			16,578,576
						20,083,310			18,580,025
Disbursed						1,997,019			
NJEIF Principal Credit						10,000			
						2,007,019			

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**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**  
**ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS**

The following officials were in office as of December 31, 2017:

<u>Name</u>	<u>Office</u>	
Michael Kasparian	Chairman	Ho-Ho-Kus
Frank Kelaher	Vice Chairman	Ramsey
Dennis Bonagura	Commissioner	Franklin Lakes
Brian Chewcaskie	Commissioner	Allendale
John Danubio	Commissioner	Waldwick
Christopher DePhillips	Commissioner	Wyckoff
Kenneth Gabbert	Commissioner	Upper Saddle River
Stephen L Iacono	Commissioner	Mahwah
Marion Plumley	Commissioner	Midland Park
Howard Hurwitz	Executive Director	
Chasan Leyner & Lamparello, PC	Legal Counsel	
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.	Auditors	

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# Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
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## **INDEPENDENT AUDITOR'S 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**

Honorable Chairman and Members of the  
Northwest Bergen County Utilities Authority  
County of Bergen  
Waldwick, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Northwest Bergen County Utilities Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2018.

### ***Internal Control Over Financial Reporting***

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

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



Honorable Chairman and Members of the  
Northwest Bergen County Utilities Authority  
Page 2.


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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Northwest Bergen County Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and questioned costs as Finding 2017-2.

### ***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

March 15, 2018



**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

**FINDING: 2017-01**

**STATEMENT OF CONDITION**

The Authority has not updated the net pension obligation, pension-related deferred outflow, accounts payable – pension or pension-related deferred inflow accounts to a measurement date acceptable under current accounting standards.

**CRITERIA**

Government Accounting Standards Board (GASB) Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year.

**EFFECT**

The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources and net position has not been determined.

**CAUSE**

The Authority relies on a valuation performed annually by an actuary hired by the State of New Jersey. As of the date of this report, there has been no indication as to when the actuary's valuation of the Public Employee's Retirement System (PERS) would be complete.

**RECOMMENDATION**

The Authority should update all future financial statements to comply with GASB No. 68 once the actuary's valuation report is available.

**MANAGEMENT'S RESPONSE**

Calculation of the net pension obligation, pension-related deferred outflow, accounts payable – pension and pension-related deferred inflow amounts are out of the Authority's control. In order to comply with the requirements of their 1984 Trust Indenture, management has opted to release the report without updating the figures in accordance with the measurement guidelines of GASB No. 68.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

(continued)

**FINDING: 2017-02**

**STATEMENT OF CONDITION**

Capital expenditures were made without a budgetary capital line item.

**CRITERIA**

N.J.A.C. 5:31-2.2 states that no Authority shall make appropriations, authorize expenditures or adopt a security agreement for a capital project unless its provisions are in agreement with the adopted capital budget, temporary capital budget or amended capital budget.

**EFFECT**

The Authority has not complied with the N.J.A.C. 5:31-2.2.

**CAUSE**

The capital expenditures discussed in this finding were originally budgeted for the prior period's capital budget. Management did not realize an amendment was required to the current year capital budget to include these items.

**RECOMMENDATION**

A resolution amending the capital budget should be made prior to capital expenditure.

**MANAGEMENT'S RESPONSE**

Management acknowledges the requirements of N.J.A.C. 5:31 and will amend their capital budget accordingly in future periods.

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

**Status of Prior Year Findings**

N/A – There were no prior year audit findings.

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## GENERAL COMMENTS

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$40,000.00, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

The bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$40,000.00.

The governing body has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Authority's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No violations were discovered.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

GENERAL COMMENTS, (CONTINUED)

Interaccount Advances

Advances between unrestricted accounts should be settled upon occurrence.

Miscellaneous

The propriety of individual deductions from salaries of employees for pensions, withholding and social security taxes, were verified on a test basis.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, net quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with the approval of claims.

Revenue and receipts were established and audited as to source and amount only insofar as the local records permitted.

Two copies of this report are filed with the New Jersey Division of Local Government Services.

There were no problems and weaknesses noted in our review that were of such magnitude that they would effect our ability to express an opinion on the financial statements taken as a whole.

We shall be pleased to confer with the Board of Commissioners on any questions that might arise with respect to any matters in this report.

We desire to express appreciation for the assistance and courtesies rendered by the Commissioners and employees during the course of the examination.

Respectfully submitted,

*Ferraioli, Wielkocz, Cerullo & Cuva, P.A.*

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