

**RESOLUTION APPROVING THE AUDIT REPORT
FOR THE FISCAL YEAR ENDING JANUARY 31, 2022 AND
GOVERNING BODY CERTIFICATION OF THE ANNUAL AUDIT**

MOTIONED BY:
SECONDED BY:

WHEREAS, the North Hudson Sewerage Authority (hereinafter "Authority") is a public body, duly formed under the Sewerage Authorities law, constituting Chapter 138 of the Laws of New Jersey of 1946, as amended (Chapter 14A of Title 40 of the New Jersey Statutes Annotated) and possesses the powers set forth therein; and

WHEREAS, N.J.S.A. 40A: 5-4 requires the governing body of every local unit to have made an annual audit of its books, accounts and financial transactions, and

WHEREAS, the Annual Report of Audit for the North Hudson Sewerage Authority for the year ended January 31, 2022 has been filed by a Certified Public Accountant with the Executive Director pursuant to N.J.S.A. 40A: 5-6, and a copy has been received by each member of the governing body; and

WHEREAS, R.S. 52:27BB-34 authorizes the Local Finance Board of the State of New Jersey to prescribe reports pertaining to the local fiscal affairs; and

WHEREAS, the Local Finance Board has promulgated N.J.A.C. 5:30-6.5, a regulation requiring that the governing body of each local unit shall, by resolution, certify to the Local Finance Board of the State of New Jersey that all members of the governing body have reviewed, as a minimum, the sections of the annual audit entitled "Comments and Recommendations; and

WHEREAS, the members of the governing body have personally reviewed, as a minimum, the Annual Report of Audit, and specifically the sections of the Annual Audit entitled "Comments and Recommendations, as evidenced by the group affidavit form of the governing body attached hereto; and

WHEREAS, such resolution of certification shall be adopted by the Governing Body no later than forty-five days after the receipt of the annual audit, pursuant to N.J.A.C. 5:30-6.5; and

WHEREAS, all members of the governing body have received and have familiarized themselves with, at least, the minimum requirements of the Local Finance Board of the State of New Jersey, as stated aforesaid and have subscribed to the affidavit, as provided by the Local Finance Board; and

WHEREAS, failure to comply with the regulations of the Local Finance Board of the State of New Jersey may subject the members of the local governing body to the penalty provisions of R.S. 52:27BB-52, to wit:

R.S. 52:27BB-52: A local officer or member of a local governing body who, after a date fixed for compliance, fails or refuses to obey an order of the director (Director of Local Government Services), under the provisions of this Article, shall be guilty of a misdemeanor and, upon conviction, may be fined not more than one thousand dollars (\$1,000.00) or imprisoned for not more than one year, or both, in addition shall forfeit his office.

NOW, THEREFORE BE IT RESOLVED, That the Board of Commissioners of the North Hudson Sewerage Authority, hereby states that it has complied with N.J.A.C. 5:30-6.5 and does hereby submit a certified copy of this resolution and the required affidavit to said Board to show evidence of said compliance.

**RESOLUTION ACCEPTING THE AUDIT REPORT
FOR THE FISCAL YEAR ENDING JANUARY 31, 2022 AND
GOVERNING BODY CERTIFICATION OF THE ANNUAL AUDIT**

DATED: MARCH 16, 2023

RECORD OF COMMISSIONERS' VOTE

	YES	NO	ABSTAIN
Commissioner Kappock			
Commissioner Marotta			
Commissioner Gardiner			
Commissioner Friedrich			
Commissioner Guzman			
Commissioner Velazquez			
Commissioner Barrera			
Commissioner Zucconi			
Commissioner Assadourian			

**THIS IS TO CERTIFY THAT THIS RESOLUTION WAS DULY ADOPTED BY THE
NORTH HUDSON BOARD OF COMMISSIONERS ON MARCH 16, 2023.**

SECRETARY

NO PHOTO COPIES OF SIGNATURES

STATE OF NEW JERSEY
COUNTY OF HUDSON

We, members of the governing body of the North Hudson Sewerage Authority, in the County of Hudson, being duly sworn according to law, upon our oath depose and say:

1. We are duly appointed members of the North Hudson Sewerage Authority in the county of Hudson;
2. In the performance of our duties, and pursuant to N.J.A.C. 5:30 6.5, we have familiarized ourselves with the contents of the Annual Authority Audit filed with the Executive Director pursuant to N.J.S.A. 40A:5 6 for the year ended January 31, 2022;
3. We certify that we have personally reviewed and are familiar with, as a minimum, the sections of the Annual Report of Audit entitled "Comments and Recommendations."

Commissioner Brian Kappock _____

Commissioner Brian Assadourian _____

Commissioner Victor Barrera _____

Commissioner Edward Friedrich _____

Commissioner Kurt Gardiner _____

Commissioner Margarita Guzman _____

Commissioner Libero D. Marotta _____

Commissioner Alejandro Velazquez _____

Commissioner Erika Zucconi _____

Secretary

Sworn to and subscribed before me this
_____ Day of _____

Notary Public of New Jersey

**THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FISCAL YEARS ENDED

JANUARY 31, 2022 AND 2021

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEARS ENDED
JANUARY 31, 2022 AND 2021

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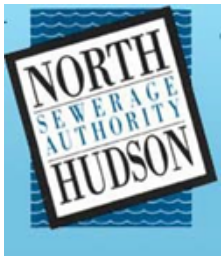
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THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEARS ENDED
JANUARY 31, 2022 AND 2021

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INTRODUCTORY SECTION



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Hoboken, NJ 07030
201/963-6043
Fax 201/963-3907
www.nhudsonsa.com

Commissioners:

*Brian H. Kappock
Chairman*

*Brian Assadourian
Victor Barrera
Edward Friedrich
Kurt Gardiner
Margarita Guzman
Liberio D. Marotta
Alejandro Velazquez
Erika Zucconi*

*Dr. Richard J. Wolff
Executive Director*

*Fredric J. Pucci, P.E.
Authority Engineer*

The Honorable Chairman and Commissioners
of The North Hudson Sewerage Authority
Hoboken, New Jersey

State law requires that all local authorities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue annual comprehensive financial report (ACFR) of The North Hudson Sewerage Authority (the "Authority") for the fiscal year ended January 31, 2022.

This report consists of management's representations concerning the finances of the Authority. We believe it is accurate in all material respects, that it is presented in a manner designed to set forth fairly the financial position and results of operations of the Authority as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the Authority's financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the management of the Authority and ultimately with the Board of Commissioners. By utilizing the ACFR format, it is the Authority's intent to facilitate an understanding by the non-financial readers of this report as well as provide all necessary information for the most sophisticated financial observer.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

Organization of Report

The ACFR is presented in several sections: Introductory, Financial, Single Audit, Supplementary and Statistical. The Introductory Section includes this transmittal letter and a list of principal officials. The Financial Section includes the independent auditor's report, MD&A, the financial statements, and the notes to the financial statements. The Single Audit Section includes the independent auditor's reports covering compliance and internal control over compliance and financial reporting, schedules of federal and state financial assistance, and schedule of related findings. The Supplementary Section includes supplementary schedules and information required by the Division of Local Government Services. The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis.

Government Structure and Services

The Authority is governed by a nine-member board, three of whom are appointed by resolution of the City Council of the City of Hoboken, two by resolution of the Board of Commissioners of the City of Union City, two by resolution of the Township Council of the Township of Weehawken and two by resolution of the Board of Commissioners of the Town of West New York. Members are appointed for terms of five years.

The Authority was created for the purpose of acquiring, constructing, maintaining, and operating facilities for the treatment, purification and disposal of sewage and other wastes. The Authority's overriding mission is to safeguard the local waterways while operating a cost-efficient, streamlined regional wastewater treatment plant system. The Authority services the City of Hoboken, the City of Union City, the Township of Weehawken and the Town of West New York.

Internal Accounting Controls

Management of the Authority is responsible for establishing and maintaining an adequate internal control structure. In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived. All internal control evaluations occur within the above framework. We believe the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions.

Basis of Accounting

The Authority's accounting records are maintained on an accrual basis and in accordance with GAAP, as promulgated by the Governmental Accounting Standards Board (GASB). The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Annual Budget

The annual budget serves as the foundation for the Authority's financial planning and control. Management prepares a proposed budget, which is presented to the Authority's Finance Committee for review and approval. Prior to adoption by the Authority's Board of Commissioners, these budgets are reviewed and approved by the State of New Jersey Division of Local Government Services.

Debt Administration

At January 31, 2022, the Authority's outstanding debt includes \$295,745,000. in Senior Lien Lease Certificates, loans from the State of New Jersey Environmental Infrastructure Trust of \$ 42,409,053.21 and short-term non- permanent construction loans of \$47,044,183 from New Jersey Infrastructure Bank, not including unamortized premium and deferred bond defeasance costs.

Economic Condition and Outlook

The Authority services the Cities of Hoboken and Union City, the Township of Weehawken and the Town of West New York, all of which are located in Northern Hudson County. This area is experiencing a period of economic stability. Its proximity to employment centers in New York City and northern New Jersey contribute towards maintaining a stable outlook.

Cash Management

The Authority strives to keep abreast of current developments and procedures in cash management to insure efficient and profitable use of available cash resources. The investment policy of the Authority is guided in large part by New Jersey Statutes. Cash is deposited in institutions located in New Jersey, which are protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. Funds not needed immediately are invested as certificates of deposit.

Risk Management

The Authority carries various forms of insurance, including, but not limited to, general liability, automotive, hazard and theft.

Pension Benefits

All Authority employees participate in the New Jersey Public Employees Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). The PERS is a defined benefit pension plan and is administered by the State of New Jersey Division of Pensions. The DCRP provides members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Participants are required to contribute a statutory amount to the PERS and DCRP.

Annual Independent Audit

The Authority's financial statements have been audited by the independent accounting firm of Garbarini & Co., P.C., Certified Public Accountants, Registered Municipal Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal years ended January 31, 2022 and 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal years ended January 31, 2022 and 2021, are fairly presented in conformity with GAAP. The independent auditor's report is included in the financial section of this report.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Authority, as well as its contracted professionals. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report. Credit must also be given to the Chairman and Commissioners of the Authority for their unfailing support for maintaining the highest standards of professionalism in the management of the Authority's finances.

Respectfully submitted,

Richard J. Wolff

Richard J. Wolff
Executive Director

Linda P. Kish

Linda P. Kish
Chief Financial Officer

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
ROSTER OF OFFICIALS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Authority Members

Term Expiration

Brian Kappock	Commissioner / Chairman	01/31/2023
Libero Marotta	Commissioner / Vice Chairman	01/31/2023
Brian Assadourian	Commissioner	01/31/2023
Victor Barrera	Commissioner	01/31/2026
Kurt Gardiner	Commissioner	01/31/2026
Margarita Guzman	Commissioner	01/31/2026
Edward Friedrich	Commissioner	01/31/2022
Alejandro Velazquez	Commissioner	01/31/2023
Erika Zucconi	Commissioner	01/31/2023

Other Officials

Richard J. Wolff	Executive Director
Fredric J. Pocci	Authority Engineer
Linda P. Kish	Chief Financial Officer
Jason Capizzi, Esq.	General and Bond Counsel
Mott MacDonald	Consulting Engineering Company
Garbarini & Co. P.C.	Auditor
NW Financial Group, LLC	Financial Advisor
TD Bank	Trustee, Registrar and Paying Agent

FINANCIAL SECTION

GARBARINI & CO., P.C.
Certified Public Accountants

Registered Municipal Accountants
Licensed Public School Accountants

P.O. Box 385
Ho-Ho-Kus, NJ 07423
(201) 933-5566
www.garbarinicpa.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Commissioners
The North Hudson Sewerage Authority
County of Hudson
Hoboken, New Jersey 07030

Opinions

We have audited the accompanying comparative statement of net position of The North Hudson Sewerage Authority, County of Hudson, State of New Jersey (the "Authority"), and the related comparative statements of revenues, expenses and changes in net position and comparative cash flows as of and for the years ended January 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's, basic financial statements as listed in the table of contents.

In our opinion, the comparative financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of January 31, 2022 and 2021 and the respective statements of revenues, expenses and changes in net position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information, such as the management's discussion and analysis and budgetary comparison information on pages 9 through 13 and 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information in accordance with auditing standards generally accepted in the United States of America, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The introductory section, supplementary schedules 1 through 13 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules 1 through 13 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial awards are presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and N.J. OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

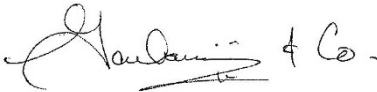
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023, on our consideration of the 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 Authority's internal control over financial reporting and compliance.



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C. CPA's
Registered Municipal Accountants

February 07, 2023
Ho-Ho-Kus, New Jersey

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021
(Unaudited)

This section of The North Hudson Sewerage Authority’s (the “Authority”) annual financial report presents our discussion and analysis of the Authority’s financial performance during the fiscal year ended January 31, 2022. It is to be read in conjunction with the Authority’s financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business, and in the manner prescribed by the Governmental Accounting Standards Board.

This annual financial report consists of two parts: Management’s Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, Statement of Cash Flows, and the Notes to the Financial Statements.

The Statement of Net Position provides information about the nature and amount of investments in resources (assets) and the obligations to Authority creditors (liabilities).

The Statement of Revenues, Expenses and Changes in Net Position, which accounts for all of the current year’s revenues and expenses, measures the success of the Authority’s operations over the past year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority’s cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities.

The Notes to the Financial Statements provide information that is essential to understanding the basic financial statements, such as the Authority’s accounting methods and policies. The Notes to the Financial Statements also provide information on contractual obligations, future commitments, contingencies, and other events that could materially affect the Authority’s financial position.

FINANCIAL HIGHLIGHTS

The following data highlights the Authority’s finances for the year ended January 31, 2022:

Total Net Position increased:	\$	6,936,978.46	or	4.97%
Cash and Investments increased:	\$	2,430,614.68	or	2.4%
Net Property, Plant & Equipment increased:	\$	15,768,858.91	or	4.15%
Operating Revenues decreased:	\$	(1,159,674.67)	or	-2.00%
Operating Expenses decreased:	\$	(152,741.43)	or	-0.50%
Operating Income decreased:	\$	(1,006,933.24)	or	-3.50%
Non-Operating Revenue decreased:	\$	(5,010,679.24)	or	-187.10%
Non-Operating Expense decreased:	\$	(914,457.77)	or	-4.26%

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021
(Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table summarizes the changes in assets, liabilities and net position for the fiscal years ended January 31, 2022, 2021, and 2020.

	2022	2021	2020
Unrestricted Assets	\$ 55,446,651.05	\$ 52,089,105.24	\$ 40,554,840.47
Restricted Assets	82,643,580.31	94,802,288.12	81,413,363.92
Net Property, Plant & Equipment	395,416,368.33	379,647,509.42	377,092,139.92
Total Assets	\$ 533,506,599.69	\$ 526,538,902.78	\$ 499,060,344.31
Deferred Outflows of Resources:			
Pension / OPEB Deferred Outflows	1,323,445.00	1,215,529.00	623,779.00
Current Liabilities	\$ 71,082,858.64	\$ 66,035,199.86	\$ 58,009,279.79
Long-Term Liabilities	315,583,238.58	320,652,289.91	312,669,615.68
Total Liabilities	\$ 386,666,097.22	\$ 386,687,489.77	\$ 370,678,895.47
Deferred Inflow of Resources:			
Pension / OPEB Deferred Inflows	1,711,874.00	1,551,847.00	1,530,266.00
Net Position:			
Invested in Capital Assets	\$ 66,318,934.00	\$ 68,413,814.30	\$ 57,178,904.02
Restricted	35,032,141.80	35,032,141.80	35,032,141.80
Unrestricted	45,100,997.67	36,069,138.91	35,263,916.02
Total Net Position	\$ 146,452,073.47	\$ 139,515,095.01	\$ 127,474,961.84

At January 31, 2022 the Authority continues to report a strong financial position, with increases in both total assets and unrestricted net position. The Authority has maintained its commitment to maintain and improve its wastewater treatment facilities and sewer collection system, including the development of its long-term control plan to reduce the number of combined sewer overflows. Major capital improvements were financed with low interest rate loans from the New Jersey Infrastructure Bank, grants, and cash on hand. The Authority continues to be rated A and A+ by Fitch and Standard & Poor's. In the past year the Authority refunded a portion of its 2012 taxable bonds on a tax-exempt basis, providing significant savings which will be used to help stabilize the sewer rate.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021
(Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Operating Activities - The Authority charges a user fee for sewerage treatment and disposal, and a connection fee for connection to its sewer system. User rates per 1,000 gallons for the year ended January 31, 2022, 2021 and 2020 were 9.95, 9.75, and 9.65, respectively. On February 1, 2022, the rate was increased to \$10.35. The fee for connection to the Authority's sewer system is a statutory calculation.

The following table summarizes the changes in revenues, expenses and net assets for the fiscal years ended January 31, 2022, 2021, and 2020:

	2022	2021	2020
Operating Revenue			
User Charges	\$ 54,150,435.95	\$ 54,167,285.43	\$ 54,782,633.38
Connection Fees	2,189,490.60	3,289,359.05	5,491,366.85
Other Income	39,664.75	82,621.49	776,948.32
Total Operating Revenue	<u>56,379,591.30</u>	<u>57,539,265.97</u>	<u>61,050,948.55</u>
Operating Expenses			
Cost of Providing Services	18,152,361.73	18,078,524.17	18,754,150.36
General and Administrative	3,068,326.52	3,712,474.36	3,227,423.38
Depreciation Expense	7,733,284.51	7,315,715.66	6,917,963.19
Total Operating Expenses	<u>28,953,972.76</u>	<u>29,106,714.19</u>	<u>28,899,536.93</u>
Operating Income	27,425,618.54	28,432,551.78	32,151,411.62
Non-Operating Revenue			
Grant Revenue/ Loan Forgiveness	85,360.27	5,082,196.18	(534,559.79)
Other Revenue	38,660.02	52,503.35	247,091.66
Total Non-Operating Revenue	<u>124,020.29</u>	<u>5,134,699.53</u>	<u>(287,468.13)</u>
Non-Operating Expenses			
Superstorm Sandy/ Grant Expenses			1,924,353.47
Debt Issuance Costs	596,595.63		1,320,803.50
Amortization Expense	7,568,808.59	7,559,105.05	7,366,111.18
Interest Expense	12,447,256.15	13,968,013.09	15,163,681.75
Total Non-Operating Expense	<u>20,612,660.37</u>	<u>21,527,118.14</u>	<u>25,774,949.90</u>
Change in Net Position			
Unrestricted/Restricted	\$ 6,936,978.46	\$ 12,040,133.17	\$ 6,088,993.59
Net Position Beginning of Year	139,515,095.01	127,474,961.84	121,385,968.25
Net Position, End of Year	<u>\$ 146,452,073.47</u>	<u>\$ 139,515,095.01</u>	<u>\$ 127,474,961.84</u>

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Authority, in fulfilling its mission to provide facilities for the treatment, purification and disposal of sewage and other wastes within the municipalities of Hoboken, Union City, Weehawken and West New York, has invested its resources in sewerage treatment plants, infrastructure and other necessary equipment.

The following table summarizes the changes in capital assets at January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>
Easement	\$ 950,000.00	\$ 950,000.00	\$ -
Plants	234,398,501.36	228,404,777.58	5,993,723.78
Mains and Lines	152,229,360.72	148,599,037.67	3,630,323.05
Pump Stations	39,816,135.71	39,816,135.71	0.00
Office Equipment	207,161.89	207,161.89	0.00
Trucks and Vehicles	<u>1,971,582.39</u>	<u>1,802,375.14</u>	<u>169,207.25</u>
	429,572,742.07	419,779,487.99	9,793,254.08
Less:			
Accumulated Depreciation and Amortization	<u>(115,789,880.17)</u>	<u>(108,291,052.99)</u>	<u>(7,498,827.18)</u>
Net Plant & Equipment	313,782,861.90	311,488,435.00	2,294,426.90
Land	58,534,862.59	58,534,862.59	-
Work in Progress	<u>23,098,643.84</u>	<u>9,624,211.83</u>	<u>13,474,432.01</u>
Property, Plant and Equipment, net of depreciation and amortization	<u>\$ 395,416,368.33</u>	<u>\$ 379,647,509.42</u>	<u>\$ 15,768,858.91</u>

Additions to net assets during the fiscal year ended January 31, 2022 consisted of improvements to the Authority's treatment plants, main lines, pumping stations, outfalls and administration building.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

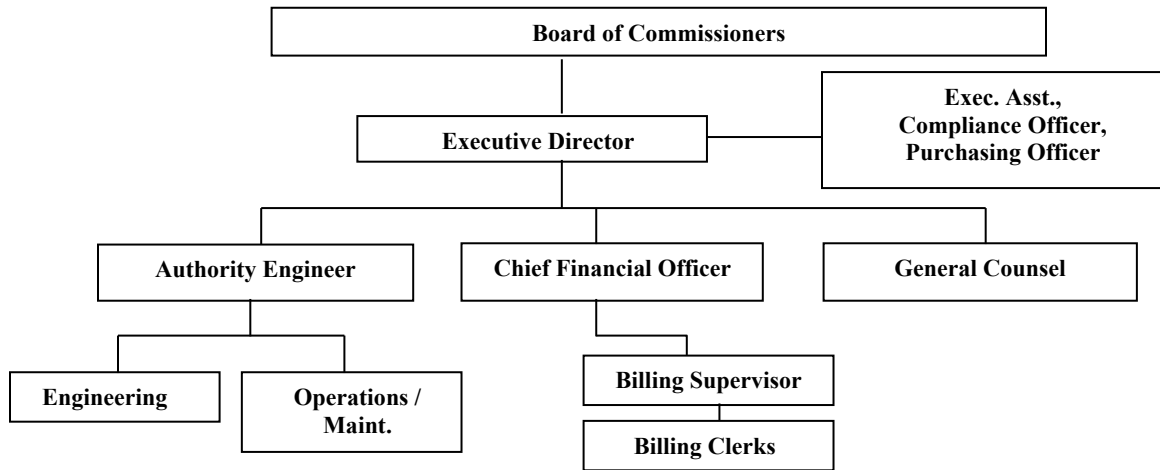
Capital Debt - At year end, the Authority had \$295,745,000 of Senior Lien Lease Certificates principal outstanding, \$42,409,053.21 of New Jersey Environmental Infrastructure Trust loans payable and \$47,044,183 in short-term non-permanent construction loans payable from New Jersey Infrastructure Bank presented in Note 5 and 6 to the financial statements, not including unamortized premium and deferred bond defeasance costs.

	2022	2021	Increase/ (Decrease)
Senior Lien Lease Certificates Payable	\$ 295,745,000.00	\$ 301,210,000.00	(5,465,000.00)
Loan Payable (Pemanent & Non-permanent)	89,453,236.21	96,217,588.12	(6,764,351.91)
Total Bonds and Loans Payable	\$ 385,198,236.21	\$ 397,427,588.12	\$ (12,229,351.91)

NEW BUSINESS

In February 2022, the Authority set a new sewer user rate of \$10.35 per 1,000 gallons.

ORGANIZATIONAL CHART



CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide Hoboken, Union City, Weehawken and West New York citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability for the appropriations and grants that it receives. If you have questions about this report or need additional financial information, you may contact the Authority’s Executive Director or Chief Financial Officer at 1600 Adams Street, Hoboken, New Jersey 07030 or at (201) 963-6043.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
COMPARATIVE STATEMENTS OF NET POSITION

EXHIBIT A

<u>ASSETS</u>	<u>At January 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 45,042,140.96	\$ 41,171,710.47
Accrued Interest	2,633.75	5,972.19
Prepaid Expenses	1,231,271.83	1,199,022.12
Other Receivables	350.00	377,443.96
Grant Receivable	213,441.57	378,081.30
Accounts Receivable - (net of allowance of \$2,400,000)	8,956,812.94	8,956,875.20
Total Unrestricted Assets	55,446,651.05	52,089,105.24
Temporarily Restricted Assets:		
Cash and Cash Equivalents	59,775,457.31	61,215,273.12
Investments	0.00	0.00
Due From Infrastructure Trust Fund		
Due From Infrastructure Trust- Non Permanent Constr. Loans	22,868,123.00	33,587,015.00
Total Temporarily Restricted Assets	82,643,580.31	94,802,288.12
Property, Plant and Equipment		
Land	58,534,862.59	58,534,862.59
Construction in Progress	23,098,643.84	9,624,211.83
Plant and Equipment (Net of accumulated depreciation (\$115,789,880.17 and \$108,291,052.99))	313,782,861.90	311,488,435.00
Total Net Property, Plant and Equipment	395,416,368.33	379,647,509.42
TOTAL ASSETS	\$ 533,506,599.69	\$ 526,538,902.78
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	\$ 604,450.00	\$ 394,384.00
OPEB Deferred Outflows	718,995.00	821,145.00
	\$ 1,323,445.00	\$ 1,215,529.00

See independent auditor's report and the notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
COMPARATIVE STATEMENTS OF NET POSITION

EXHIBIT A

At January 31,

	<u>2022</u>	<u>2021</u>
LIABILITIES		
Current Liabilities from Unrestricted Assets:		
Accounts Payable and Accrued Expenses	\$ 649,479.16	\$ 544,859.02
Overpayments of Sewer Fees	<u>776,276.36</u>	<u>600,148.99</u>
Total Current Liabilities from Unrestricted Assets	<u>1,425,755.52</u>	<u>1,145,008.01</u>
Current Liabilities from Restricted Assets:		
Senior Lien Certificates and Infrastructure Loans Payable	11,405,058.62	11,397,358.99
Infrastructure - Non-Permanent Construction Loan Payable	47,044,183.00	47,044,183.00
Accrued Interest Payable	2,108,935.39	2,179,555.54
Net Pension Liability	1,246,713.00	1,356,110.00
Net OPEB Liability	2,046,395.00	2,066,732.00
Construction Contracts Payable	<u>5,805,818.11</u>	<u>846,252.32</u>
Total Current Liabilities from Restricted Assets	<u>69,657,103.12</u>	<u>64,890,191.85</u>
Total Current Liabilities	<u>71,082,858.64</u>	<u>66,035,199.86</u>
Long Term Portion of Liabilities		
Senior Lien Certificates and Infrastructure Loans Payable	<u>315,583,238.58</u>	<u>320,652,289.91</u>
	<u>315,583,238.58</u>	<u>320,652,289.91</u>
Total Liabilities	<u>\$ 386,666,097.22</u>	<u>\$ 386,687,489.77</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	\$ 781,180.00	\$ 572,612.00
OPEB Deferred Inflows	<u>930,694.00</u>	<u>979,235.00</u>
	<u>\$ 1,711,874.00</u>	<u>\$ 1,551,847.00</u>
NET POSITION		
Invested in Capital Assets, Net of related debt	\$ 66,318,934.00	\$ 68,413,814.30
Restricted - Other	35,032,141.80	35,032,141.80
Unrestricted	<u>45,100,997.67</u>	<u>36,069,138.91</u>
TOTAL NET POSITION	<u>\$ 146,452,073.47</u>	<u>\$ 139,515,095.01</u>

See independent auditor's report and the notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
RESTRICTED AND UNRESTRICTED

EXHIBIT B

	<u>Fiscal Year ended January 31, 2022</u>			<u>Fiscal Year ended January 31, 2021</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Operating Revenues/Transfers:						
User Charges	\$ 54,150,435.95	\$ -	\$ 54,150,435.95	\$ 54,167,285.43	\$ -	\$ 54,167,285.43
Other Income/Interest	39,664.75	-	39,664.75	82,621.49	-	82,621.49
Connection Fees	2,189,490.60	-	2,189,490.60	3,289,359.05	-	3,289,359.05
Total Revenues and Transfers	<u>56,379,591.30</u>	<u>-</u>	<u>56,379,591.30</u>	<u>57,539,265.97</u>	<u>-</u>	<u>57,539,265.97</u>
Operating Expenses/Transfers:						
Costs of Providing Services	18,152,361.73	-	18,152,361.73	18,078,524.17	-	18,078,524.17
Depreciation Expenses	7,733,284.51	-	7,733,284.51	7,315,715.66	-	7,315,715.66
General and Administrative	3,068,326.52	-	3,068,326.52	3,712,474.36	-	3,712,474.36
Total Expenses and Transfers	<u>28,953,972.76</u>	<u>-</u>	<u>28,953,972.76</u>	<u>29,106,714.19</u>	<u>-</u>	<u>29,106,714.19</u>
Operating Income	<u>27,425,618.54</u>	<u>-</u>	<u>27,425,618.54</u>	<u>28,432,551.78</u>	<u>-</u>	<u>28,432,551.78</u>
Non-Operating Revenue/(Expense):						
Interest - Restricted	2,567.02	\$ -	2,567.02	52,503.35	-	52,503.35
NJIB Principal Forgiveness/Grant Revenue/ FEMA Reduction	85,360.27	-	85,360.27	5,048,237.18	-	5,048,237.18
Solar Renewable Energy Credits	36,093.00	-	36,093.00	33,959.00	-	33,959.00
Interest Expense	(12,447,256.15)	-	(12,447,256.15)	(13,968,013.09)	-	(13,968,013.09)
Amortization of Easement	(12,666.67)	-	(12,666.67)	(12,666.67)	-	(12,666.67)
Amortization of Loss on Defeasance/ Premiums	(7,556,141.92)	-	(7,556,141.92)	(7,546,438.38)	-	(7,546,438.38)
Debt Issuance Costs	(596,595.63)	-	(596,595.63)	-	-	-
Total Non-Operating Revenue/(Expense)	<u>(20,488,640.08)</u>	<u>-</u>	<u>(20,488,640.08)</u>	<u>(16,392,418.61)</u>	<u>-</u>	<u>(16,392,418.61)</u>
Change in Net Position	6,936,978.46	-	6,936,978.46	12,040,133.17	-	12,040,133.17
Transferred to Restricted/Unrestricted	-	-	-	-	-	-
Net Position Beginning of Year	104,482,953.21	35,032,141.80	139,515,095.01	92,442,820.04	35,032,141.80	127,474,961.84
Net Position, End of Year	<u>\$ 111,419,931.67</u>	<u>\$ 35,032,141.80</u>	<u>\$ 146,452,073.47</u>	<u>\$ 104,482,953.21</u>	<u>\$ 35,032,141.80</u>	<u>\$ 139,515,095.01</u>
Invested in Capital Assets, Net of Related Debt						
Restricted - Other	\$ 66,318,934.00	\$ -	\$ 66,318,934.00	\$ 68,413,814.30	\$ -	\$ 68,413,814.30
Unrestricted	45,100,997.67	35,032,141.80	80,133,139.47	36,069,138.91	35,032,141.80	71,101,280.71
	<u>45,100,997.67</u>	<u>-</u>	<u>45,100,997.67</u>	<u>36,069,138.91</u>	<u>-</u>	<u>36,069,138.91</u>
	<u>\$ 111,419,931.67</u>	<u>\$ 35,032,141.80</u>	<u>\$ 146,452,073.47</u>	<u>\$ 104,482,953.21</u>	<u>\$ 35,032,141.80</u>	<u>\$ 139,515,095.01</u>

See independent auditor's report and the notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
COMPARATIVE STATEMENTS OF CASH FLOWS

EXHIBIT C

	<u>Fiscal Year ended January 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash Received from User Collections	\$ 53,565,610.46	\$ 51,482,590.84
Cash Received from Overpayments of User Fees	776,276.36	600,148.99
Cash Received from Misc.	47,939.45	49,869.25
Cash Received for Connection Fees	2,189,490.60	3,289,359.05
Cash Received for Other Receivables	487,093.96	(377,443.96)
Cash Payments for Goods and Services	(18,447,549.79)	(18,893,279.17)
Cash Payments for Employees and Taxes	(1,117,612.77)	(1,046,043.32)
Cash Payments for Prepaid Expenses	(1,231,271.83)	(1,199,022.12)
Cash Payments for Accounts Payable	(544,859.02)	(675,462.64)
Cash Payments for Refunds - User Charges	(9,408.69)	(84,138.74)
Net Cash Provided\Used by Operating Activities	<u>35,715,708.73</u>	<u>33,146,578.18</u>
Cash Flows from Non-Capital Financing Activities:		
Transfer from Other Funds - Unrestricted	102,508,316.31	97,796,780.26
Transfer from Other Funds - Restricted	107,594,653.66	97,437,419.17
Transfer to Other Funds - Unrestricted	(108,668,584.97)	(104,510,930.41)
Transfer to Other Funds - Restricted	(101,434,385.00)	(90,723,269.02)
Net Cash Provided\Used by Non-Capital Financing Activities	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:		
Grant Receipts/ Insurance Reimbursements net with Grant Expenditures	250,000.00	
Acquisition and Construction of Capital Assets	(11,903,338.87)	(9,037,499.51)
Payments for Capital Assets Accounts Payable	(5,805,818.11)	(657,534.70)
Bond Issue Proceeds	73,228,920.40	
Transfer from Escrow Fund For Defeased Debt	7,030,350.00	7,030,350.00
Transfers to Escrow Fund for Defeased Debt	(80,466,420.94)	(7,030,350.00)
Costs of Issuance/ Discounts/ Premium Costs	(747,586.80)	
Principal Paid on Infrastructure Loans and Lease Certificates	(12,905,422.06)	(12,017,765.91)
Interest Paid on Bonds/ Certificates/ and Notes	(12,718,058.47)	(14,049,933.75)
Infrastructure Loan/ Trust/ Grant Reimbursements	10,718,892.00	16,882,062.00
Net Cash Provided\Used by Capital and Related Financing Activities	<u>(33,318,482.85)</u>	<u>(18,880,671.87)</u>
Cash Flows from Investing Activities:		
Investment/Interest Income - Unrestricted	30,821.78	111,779.26
Investment/Interest Income - Restricted	2,567.02	52,503.35
Net Cash Provided\Used by Investing Activities	<u>33,388.80</u>	<u>164,282.61</u>
Net Increase\Decrease in Cash and Cash Equivalents/Investments	2,430,614.68	14,430,188.92
Cash and Cash Equivalents/Investments at Beginning of Year	<u>102,386,983.59</u>	<u>87,956,794.67</u>
Cash and Cash Equivalents/Investments at End of Year	<u>\$ 104,817,598.27</u>	<u>\$ 102,386,983.59</u>

See independent auditor's report and the notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021

1. Authorizing Legislation and Bond Resolution

The North Hudson Sewerage Authority, County of Hudson, State of New Jersey (the “Authority”), is a political subdivision and public body corporate and politic of the State of New Jersey. It was established pursuant to the Sewerage Authorities Law of New Jersey, constituting Chapter 138 of the Pamphlet Laws of 1946 of the State of New Jersey as amended and supplemented (the “Act”). The Local Finance Board approved the creation of the Authority in November 1987. The Authority was created pursuant to the Act as the Hoboken, Union City, and Weehawken Sewerage Authority by parallel ordinances of the City of Hoboken, the City of Union City, and the Township of Weehawken dated January 6, 1988; February 16, 1988; and December 15, 1988. Upon issuance of the Series 1996 Bonds and the acquisition of the West New York System, the Authority was renamed “The North Hudson Sewerage Authority”. The Authority has the right, power and authority to acquire, use and hold all real and personal property, and make and perform all contracts, and take proper or necessary action to design, finance, construct, acquire and operate its system of sewers, treatment plants and other plants and structures.

On May 24, 2012, the Authority issued Gross Revenue Senior Lien Lease Certificates (Series 2012 A and B) in the aggregate principal amount of \$313,965,000. The purpose of the Lease Certificates was to provide the necessary funding in connection with the Certificates of Participation dated May 24, 2012. The proceeds of the Certificates were used to defease and redeem all of its then outstanding senior lien debt (Bonds) in the amount of \$205,826,733.20; and to refund its then outstanding notes in the amount of \$37,750,000; and settle all claims arising from the Structured Financing Transaction in an estimated amount of \$12,000,000. The Lease Certificates were issued pursuant to an Agent Agreement, by and among The Bank of New York Mellon, as Agent, Municipal Infrastructure Leasing 1, LLC (the “Lessor”) and the Authority, and sold to Morgan Stanley & Co. LLC (the “Underwriter”) in accordance with a Purchase Contract submitted by the Underwriter. The Gross Revenue Senior Lien Lease Certificates Series A and B closed on May 24, 2012 in the amount of \$313,965,000. The Lease Certificates (Series 2012 A and B) were issued in connection with the Authority’s restructuring of its outstanding debt (the “Restructuring Plan”). During fiscal year 2017 \$22,790,000 of the Authority’s Gross Revenue Senior Lease Certificates (Series 2012 A and B) were defeased with funds from the Authority’s General Fund. Funds totaling \$25,979,936.05 were deposited into an Escrow Account to defease the Lease Certificates. During Fiscal Year 2019, \$18,825,000 of the Authority’s Gross Revenue Senior Lease Certificates (Series 2012 A and B) were defeased with funds from the Authority’s General Fund. Funds totaling \$20,424,911.34 were deposited into an Escrow Account to defease the Lease Certificates. During Fiscal Year 2020, \$117,285,000 of the Authority’s Gross Revenue Senior Lease Certificates (Series 2012 A) were defeased with funds from the issuance of 2020 \$160,625,000 Gross Revenue Senior Lien Lease Certificates, Series 2019 (Federally Taxable). During Fiscal Year 2022, \$54,170,000 of the Authority’s Gross Revenue Senior Lease Certificates (Series 2012 B) were refunded with funds from the issuance of 2021 \$54,200,000 Gross Revenue Senior Lien Lease Certificates (Series 2021) and funds on deposit in the Debt Service Fund in the amount of \$964,355.23.

In order to effectuate the Restructuring Plan, concurrently with the issuance of the Lease Certificates (Series A and B), the Authority issued Gross Revenue Senior Lien Lease Certificates, Series 2012 C (Federally Taxable) in the aggregate principal amount of \$40,000,000. The Authority has determined to lease its system to the Lessor pursuant to a Head Lease Agreement by and between the Lessor and the Authority and to lease back the System from the Lessor pursuant to a Master Lease Agreement by and between the Authority and the Lessor (the “Master Lease”). The Authority will agree to pay, among other payments, fixed rent in principal and interest portions to the Lessor, which fixed rent payments will be assigned to the Agent under the Agent Agreement for the benefit of the owners of the Lease Certificates as security for the Lease Certificates. The Authority has pledged its Gross Revenues to secure the payment of the fixed rent and has agreed to operate and maintain the System and to pay operating expenses in connection there with and to

See independent auditor’s report.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021

1. Authorizing Legislation and Bond Resolution (Continued)

maintain reserves for the benefit of the System. The Authority provided for the payment of the defeased obligations from existing Debt Service Reserve Fund in the amount of \$2,485,695.90 and Debt Service Fund Contribution of \$3,600,000. Funds from the proceeds of the Lease Certificates were used to fund the Debt Service Reserve Fund in the amount of \$21,316,377.04 and Capitalized Interest Fund in the amount of \$10,000,000. Costs of issuance were \$7,186,226.22. During Fiscal Year 2020, \$34,000,000 of the Authority's Gross Revenue Senior Lease Certificates (Series 2012 C) were defeased with funds from the issuance of 2019 \$160,625,000 Gross Revenue Senior Lien Lease Certificates, Series 2019 (Federally Taxable).

There was an original issue premium of \$13,770,101.10 on the Series 2012 A and B Certificates, which is being amortized over the life of the bonds. Funds totaling \$271,852,428.98 were deposited into the Escrow Account to defease \$205,826,733.20 of the Authority's outstanding senior lien debt (Bonds).

On November 22, 2019, the Authority issued \$160,625,000 Gross Revenue Senior Lien Lease Certificates, Series 2019 in order to defease \$151,285,000 of the 2012 Senior Lease Certificates (Series A & C). The Lease Certificates were issued pursuant to an Agent Agreement, by and among TD Bank, National Association (as successor The Bank of New York Mellon), as Agent, Municipal Infrastructure Leasing 1, LLC (the "Lessor") and the Authority, and sold to RBC Capital Markets, LLC (the "Underwriter") in accordance with a Purchase Contract submitted by the Underwriter. Cost of Issuance were \$1,320,803.50. Funds totaling \$163,830,254.76 were deposited into the Escrow Account to defease \$151,285,000 of the Authority's outstanding 2012 senior lien debt.

On October 13, 2021, the Authority issued \$54,200,000 Gross Revenue Senior Lien Lease certificates, Series 2021 in order to refund \$54,170,000 Gross Revenue Senior Lien Lease Certificates (Series 2012B). Costs of issuance were \$596,595.63. Funds totaling \$71,193,275.63, which included \$19,457,107.45 original issue premium, were deposited into the Redemption and Cost of Issuance account to refund the \$54,170,000 outstanding 2012B senior lien certificates.

2. Summary of Significant Accounting Policies

a. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Revenues are recognized in the accounting period when they become susceptible to accrual. Expenditures, if measurable, are recognized in the accounting period in which the liability is incurred, regardless of the timing of related cash flows. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Authority applies all (GASB) pronouncements, as well as all Financial Accounting Standards (FASB) statements and interpretations issued.

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2. Summary of Significant Accounting Policies (Continued)

The Authority follows the pronouncements of the GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Authority to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Funds Accounting*.

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective beginning with the year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. As a result of implementation, the Authority was required to restate the financial statements presented for the fiscal year ended January 31, 2015, to reflect the pension liability and resulting change to net position. Amendments to and further clarification of GASB 68, include GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, GASB 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 67 and 68.*, and GASB 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*.

GASB Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73* is effective for the year ending June 30, 2017. 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 adoption this Statement had no impact on the Authority's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective beginning with the year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. As a result of implementation, the Authority was required to restate the financial statements presented for fiscal year ended January 31, 2018, to reflect the OPEB liability and resulting change to net position. (See Note 13 and 15).

b. *Cash and Cash Equivalents*

In addition to cash, cash equivalents include investments in direct obligations of the U.S. Government and certain U.S. Government Agencies that are stated at cost. Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase. Restricted investments include all funds which are to be used for specific purposes other than operating and general funds.

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2. Summary of Significant Accounting Policies (Continued)

Unrestricted – Cash, Cash Equivalents and Investments

Cash includes petty cash, change funds, cash in banks, savings accounts, money markets, or highly liquid securities with a maturity date of three (3) months or less at the time of purchase which may be withdrawn at any time without prior notice or penalty. Cash equivalents are defined as short-term, highly liquid securities that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturities of three (3) months or less meet this definition. For the Statements of Cash Flows the Authority includes all cash, cash equivalents and investments.

Restricted – Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments are stated at cost, which approximates market. These assets are restricted for the future redemption of bonds payable and future investments are principally held in interest bearing bank accounts or U.S. Government obligations and are held by independent trustees.

c. Credit Risk-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 insure deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- The market value of the collateral must equal 5 percent of the average daily balance of public funds.
- If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.
- All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

All bank deposits as of January 31, 2022 and 2021 are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act (GUDPA). In general, bank deposits are classified as to credit risk by the three categories described below:

Category 1 - Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 - Collateralized with securities held by the pledging public depository's trust department or agent in the Authority's name.

Category 3 - Un-collateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent but not in the Authority's name.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, the Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash and Cash Equivalents and Investments.

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2. Summary of Significant Accounting Policies (Continued)

Custodial Credit Risk – The Authority’s deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depository government’s name. The deposit risk is that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority’s and are held by either: the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At January 31, 2022 and 2021, the Authority’s bank balance was not exposed to custodial credit risk since the full amount was covered either by FDIC insurance or GUDPA. The Authority’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in NJ GUDPA or in qualified investments established in N.J.S.A. 40A: 5-15.1.

d. Investment

New Jersey Statutes permit the following investments for local funds:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to the following conditions: 1) the underlying securities are permitted investments 2) the custody of the collateral is transferred to a third party 3) the maturity of the agreement is not more than 30 days 4) the underlying securities are purchased through a GUDPA bank and 5) a master repurchase agreement providing for the custody and security of collateral is executed.
- Obligations issued by the State and its agencies.

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2. Summary of Significant Accounting Policies (Continued)

Investment (Continued)

Any investments not purchased and redeemed directly from the issuer, government money market mutual fund, local government investment pool, or the State of New Jersey Cash Management Fund, must be purchased and redeemed through the use of a GUDPA approved bank or through a securities broker-dealer which is registered with the New Jersey Bureau of Securities.

In general, investments are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Authority or by its agent in the Authority's name.

Category 2 - Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Authority's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name.

During the years ended January 31, 2022 and 2021, the Authority invested primarily in bonds or obligations of the United States of America, money market funds, and certificates of deposits due within one year of purchase.

In accordance with the 2012 Master Lease Agreement in connection with the issuance of the Senior Lease Certificates, the Security Agent Bank will invest solely in investment securities at the written direction of the Authority, provided, however, in the absence of such instructions from the Authority, the Lessor shall in writing direct the Security Agent Bank to invest such monies in investment securities.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, the Authority has assessed the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Investments.

Concentration of Credit Risk - This is the risk associated with the amount of investments the Authority has with any one issuer that exceed 5 percent of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pool, and other pooled investments are excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer. As of January 31, 2022, the Authority was not exposed to a concentration of credit risk.

Credit Risk - GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined under the Authority's investment policy.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations. However, N.J.S.A. 40A:15-15.1(a) limits the length of time for most investments to 397 days.

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2. Summary of Significant Accounting Policies (Continued)

e. Inventory

Purchase of materials, supplies and chemicals are recorded as an expenditure when purchased. The Authority does not maintain an inventory of these purchases. The balance on hand at January 31, 2022, and January 31, 2021 was determined not to be material.

f. Capital Assets

Capitalization Policy-Capital assets are reported at cost, including all ancillary charges necessary to place the assets in their intended location and condition for use. If land is purchased, the capitalized amount includes the purchase price plus costs such as legal fees, filling, and excavation costs incurred to put the land in condition for its intended use. The capitalized amounts for building include both acquisition and capital improvement costs and net construction period interest. An asset is deemed substantially complete when the structure or project is ready for the purpose for which it was constructed. The cost to construct, acquire or replace an existing asset (or otherwise prolong the useful life of an existing asset) is capitalized under the Authority's capitalization policy. The capitalization threshold is \$5,000 and includes equipment valued over \$5,000 or any purchase related to a capital project whose project value exceeds \$5,000.

g. Restricted Accounts

Set forth below are statements which are summaries of certain provisions of the Master Lease Agreement with Municipal Infrastructure Leasing 1 Inc. in connection with the issuance of the Gross Revenue Senior Lien Lease Certificates Series 2012.

All revenues of the Authority are deposited into the Revenue Fund. Payments from the Revenue Fund are made no later than the last business day of the month into the several funds in the following order of preference:

- A) Certificate Fund - the amount sufficient to pay fixed rent for the month and amounts representing unpaid Fixed Rent or portions thereof for prior months and the amount of any additional rent for payment to the Lessor and, if applicable, deposit in accordance with the Agent Agreement.
- B) Reserve Fund – from the remaining balance, if any, the amount required to be deposited for such Certificates established under the Agent Agreement, to make the amount on deposit therein equal to the applicable Reserve Fund Requirement.
- C) Operating Fund – from the remaining balance to the amount, if any, necessary to make the deposit therein equal to the Operating Fund Requirement to pay the Authority's Operating Expenses.
- D) Renewal and Replacement Fund – from the remaining balance, if any, to the amount needed to equal one thirty-sixth (1/36) of the amount necessary to make the total deposit in such Fund equal to the Renewal and Replacement Fund Requirement.
- E) Subordinate Debt Fund – from the remaining balance, if any, the amount necessary to pay the amount coming due on the Subordinated Debt, if any, in such month.

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2. Summary of Significant Accounting Policies (Continued)

h. Restricted Accounts (Continued)

F) Rent (Rate) Stabilization/General Fund – from the remaining balance, if any, an amount necessary to make the total deposit in such account equal to the Rent Stabilization Requirement and, thereafter, to the General Fund.

At least once in each fiscal year, and not later than, as will be necessary, to enable rates to be in full force and effect on the first day of the next ensuing Fiscal Year, the Rate Consultant or Consulting Engineer will file with the Authority, the Security Agent Bank and the Agent a certificate (the “Consultant’s Certificate”) recommending and setting forth in tabular form as to the such Fiscal Year the following:

- a) Annual Debt Service Requirements
- b) Sum of all amounts estimated to be paid into and credited to the Revenue Fund, Reserve Fund and the Renewal and Replacement Fund
- c) Amount to be maintained in the Rent Stabilization Requirement
- d) Amount anticipated to be transferred from the General Fund to the Subordinated Debt Fund
- e) Estimated volume of sewage expected to be disposed of by operation of the System and setting forth the minimum rates and charges for such Fiscal Year necessary and required to be in effect for the whole of such Fiscal Year so as to comply with the above provisions.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Cash, Cash Equivalents and Investments

The Authority had the following held by the custodial banks at January 31:

	2022	2021
Current Operating Accounts	\$ 30,412,917.85	\$ 27,550,835.50
Rent Stabilization Account	8,500,819.60	8,500,757.46
Rate Stabilization Account	6,128,403.51	5,120,117.51
Total Unrestricted Accounts	\$ 45,042,140.96	\$ 41,171,710.47
Reserve Account	22,620,390.60	22,618,846.51
Construction/ Lease Project/ Capital Accounts	22,066,922.87	23,424,986.88
2012, 2019 & 2021 A,B,C Interest Account	2,108,936.93	2,337,008.20
2012, 2019 & 2021 A,B,C Principal Account	1,969,508.40	1,834,431.47
Renewal and Replacement Account	11,000,080.41	11,000,000.00
Wealth Revenue Account	0.00	0.06
2021 Cost of Issuance Account	9,618.10	
Total Restricted Accounts	\$ 59,775,457.31	\$ 61,215,273.12
Total Cash and Investments	\$ 104,817,598.27	\$ 102,386,983.59

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3. Cash, Cash Equivalents and Investments (Continued)

Cash and cash equivalents, including Trust Funds not included in the basic financial statements, at January 31, 2022 and 2021 respectively approximated \$322,423,110.46 and \$340,104,181.02. The bank balance at January 31, 2022 was \$ 323,669,127.10 of the bank balance, \$250,000 was covered by FDIC (Category 1) and \$ 323,419,127.10 was covered by the state of New Jersey, Governmental Unit Deposit Protection Act (Category 3).

	<u>2022</u>	<u>2021</u>
<u>Unrestricted</u>		
Unrestricted cash/cash equivalents	\$ 45,042,140.96	\$ 41,171,710.47
 <u>Restricted</u>		
Restricted – cash/investments	<u>59,775,457.31</u>	<u>61,215,273.12</u>
 Total	<u><u>\$ 104,817,598.27</u></u>	<u><u>\$ 102,386,983.59</u></u>
 <u>Trust Funds (Schedule 13)*</u>		
Developer's Escrow Account	\$ 6,559,334.29	\$ 5,857,519.48
Unemployment Trust Account	150,085.45	135,085.45
Defeased Escrow Account	210,896,092.45	231,724,592.50
	<u><u>\$ 217,605,512.19</u></u>	<u><u>\$ 237,717,197.43</u></u>
 Cash and Cash Equivalents	<u><u>\$ 322,423,110.46</u></u>	<u><u>\$ 340,104,181.02</u></u>

*Not included on Schedule A of the financial statements.

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4. Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes the cost of construction and acquisition of such projects, engineering, administrative and financial expenses, interest on bonds during construction, and organization expenses, less income earned on unexpected construction funds.

On September 13, 1989, the Authority took title to certain existing sewerage assets via negotiated purchase from the City of Hoboken, City of Union City and the Township of Weehawken. The cost of the property was allocated to buildings, improvements, machinery and equipment. On October 15, 1996, the Authority acquired all the existing wastewater conveyance and treatment facilities of the Town of West New York.

Estimated useful lives, in years, for depreciable assets are as follows:

Beginning February 1, 1991, the Authority has depreciated the assets currently in service using the straight-line method of depreciation with a capitalization threshold of \$5,000.

Building and grounds	5-75
Improvements	2-75
Mobile equipment	3-30
Furniture, fixtures, and equipment	3-30

	Balance January 31, 2021	Additions	Adjustment/ Disposals	Balance January 31, 2022
Land	\$ 58,534,862.59	\$ -	\$ -	\$ 58,534,862.59
Easement	950,000.00	-	-	950,000.00
Plants	228,404,777.58	5,993,723.78		234,398,501.36
Main Lines	148,599,037.67	3,630,323.05		152,229,360.72
Pump Stations	39,816,135.71			39,816,135.71
Office Equipment	207,161.89			207,161.89
Trucks & Vehicles	1,802,375.14	416,331.25	247,124.00	1,971,582.39
Work In Progress	9,624,211.83	23,098,643.84	9,624,211.83	23,098,643.84
	<u>487,938,562.41</u>	<u>33,139,021.92</u>	<u>9,871,335.83</u>	<u>511,206,248.50</u>
Less: Accumulated Depreciation	(108,291,052.99)	(7,745,951.18)	(247,124.00)	(115,789,880.17)
Net Property, Plant & Equipment	<u>\$ 379,647,509.42</u>	<u>\$ 25,393,070.74</u>	<u>\$ 9,624,211.83</u>	<u>\$ 395,416,368.33</u>

Construction Commitments

The Authority had the following commitments with respect to unfinished capital projects.

	<u>January 31, 2022</u>	<u>January 31, 2021</u>
Construction Payable	<u>\$ 5,805,818.11</u>	<u>\$ 846,252.32</u>

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5. Current Debt

Short-term, temporary debt outstanding as of January 31, 2022 consisted of a six Construction Loans issued by the New Jersey Infrastructure Bank in the total amount of \$47,044,183 for: 2018 Green Infrastructure, H6/H7/ LTCP Phase I, 2020 Cleaning and Lining Program, Vactor truck and CCTV truck, PURAC Phase III, and Combined Sewer Long Term Control Plan. The construction loans are expected to be permanently financed in fiscal year 2023 with New Jersey Infrastructure Bank.

6. Long-Term Debt

Gross Revenue Senior Lien Lease Certificates - The Authority borrows money in order to acquire land, equipment, construct buildings and improvements, or refinance outstanding debt. This enables the cost of these capital assets to be borne by the present and future ratepayers receiving the benefit of the capital assets. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation for the long-term liabilities.

	Balance			Balance		Current Portion
	<u>January 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>January 31, 2022</u>	<u>of Long-term Debt</u>	
Gross Revenue Senior Lease Certificates Payable	\$ 301,210,000.00	\$ 54,200,000.00	\$ 59,665,000.00	\$ 295,745,000.00	\$	5,900,000.00
New Jersey Environmental Infrastructure- Trust & Fund Loans	49,173,405.12		6,764,351.91	42,409,053.21		5,505,058.62
Unamortized Premium on Bonds	10,040,698.71	\$ 19,457,107.45	916,743.35	28,581,062.81		
Unamortized Loss on Defeasance-Refinance	(28,899,663.32)	(19,694,257.99)	(8,722,984.36)	(39,870,936.95)		
Prepaid Bond Insurance	(282,227.80)	(150,991.17)	(15,784.47)	(417,434.50)		
Gain on NJEIT Loan Refundings	807,436.19		265,883.56	541,552.63		
Total	<u>\$ 332,049,648.90</u>	<u>\$ 53,811,858.29</u>	<u>\$ 58,873,209.99</u>	<u>\$ 326,988,297.20</u>	<u>\$</u>	<u>11,405,058.62</u>

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6. Long-Term Debt (Continued)

Gross Revenue Senior Lien Lease Certificates Payable at January 31, 2022.

\$163,410,000 – 2012A Tax Exempt Gross Revenue Senior Lien Lease Certificates for various purposes due in annual installments on June 01, of: \$3,805,000 in 2022, interest at rate varying from 4.00% to 5.00%. \$ 3,805,000

\$150,555,000 – 2012B Taxable Gross Revenue Senior Lien Lease Certificates for various purposes due in annual installments on June 01, of: \$1,045,000 in 2022, \$2,240,000 in 2023, \$2,365,000 in 2024, \$2,490,000 in 2025, \$2,630,000 in 2026, \$2,775,000 in 2027, \$2,925,000 in 2028, \$3,080,000 in 2029, \$3,245,000 in 2030, \$3,425,000 in 2031, \$3,610,000 in 2032, \$3,810,000 in 2033, \$4,025,000 in 2034, \$4,250,000 in 2035, \$4,485,000 in 2036, \$4,735,000 in 2037, \$5,005,000 in 2038, \$5,285,000 in 2039, \$5,580,000 in 2040, \$5,890,000 in 2041, and \$6,220,000 in 2042, interest at a rate varying from 2.89% to 5.396%. 79,115,000

\$160,625,000 – 2020 Taxable Fixed Rate Gross Revenue Senior Lien Lease Certificates used for defeasance of 2012 A & C Senior Lien Lease Certificates, due in annual installments on June 01 of: \$1,000,000 in 2022, \$2,605,000 in 2023, \$3,170,000 in 2024, \$3,380,000 in 2025, \$3,640,000 in 2026, \$3,955,000 in 2027, \$3,830,000 in 2028, \$3,890,000 in 2029, \$4,370,000 in 2030, \$4,750,000 in 2031, \$6,640,000 in 2032, \$14,280,000 in 2034, \$40,515,000 in 2039, and \$62,600,000 in 2044, interest at a rate varying from 2.064% to 3.796%. 158,625,000

\$54,200,000- 2021 Non-Taxable Fixed Rate Gross Revenue Senior Lien Lease Certificates used for refunding of 2012 B Senior Lien Lease Certificates, due in annual installments on June 01 of: \$50,000 in 2022, \$1,605,000 in 2023, \$1,690,000 in 2024, \$1,780,000 in 2025, \$1,865,000 in 2026, \$1,965,000 in 2027, \$2,065,000 in 2028, \$2,180,000 in 2029, \$2,290,000 in 2030, \$2,405,000 in 2031, \$2,530,000 in 2032, \$2,800,000 in 2034, \$2,945,000 in 2035, \$3,100,000 in 2036, \$3,260,000 in 2037, \$3,425,00 in 2038, \$3,605,000 in 2039, \$3,790,000 in 2040, \$3,990,000 in 2041, and \$4,195,000 in 2042 interest at a rate of 5%. 54,200,000

\$ 295,745,000

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6. Long-Term Debt (Continued)

The annual requirement to amortize the long-term debt outstanding as of January 31, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 5,900,000.00	\$ 12,481,357.63
2024	6,450,000.00	12,222,908.29
2025	7,225,000.00	11,946,326.90
2026	7,650,000.00	11,646,315.90
2027	8,135,000.00	11,323,739.37
2028-2032	47,150,000.00	51,042,510.83
2033-2037	70,450,000.00	38,433,289.34
2038-2042	88,205,000.00	20,754,515.41
2043-2047	54,580,000.00	2,811,156.37
	\$ 295,745,000.00	\$ 172,662,120.04

Total Senior Lease Certificates Payable \$ 295,745,000.00

New Jersey Environmental Infrastructure
Trust and Fund Loan (Schedule 9) 42,409,053.21
Total Lease Certificates & Loans Payable before
Unamortized Premiums & Defeasance 338,154,053.21

Unamortized Premium on Bonds (Schedule 10) 28,581,062.82
Unamortized Gains on Refunding (Schedule 10) 541,552.62

Less:
Deferred Bond Defeasance Costs (Schedule 10) (40,288,371.45)
\$ 326,988,297.20

Analysis

Current Portion \$ 11,405,058.62
Long Term Portion 315,583,238.58
\$ 326,988,297.20

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6. Long-Term Debt (Continued)

GASB 23 states that “in-substance defeasance” costs must be deferred and amortized over the remaining life of the old or new debt, whichever is shorter.

On May 24, 2012, the Authority issued Gross Revenue Senior Lien Lease Certificates dated May 24, 2012. The proceeds of the Certificates were used to defease and redeem all of its then outstanding senior lien debt (Bonds) in the amount of \$205,826,733; and to refund its then outstanding project note in the amount of \$37,750,000; and settle all claims arising from the Structured Financing Transaction in an estimated amount of \$12,000,000. The aforementioned retirement resulted in a loss on defeasance of \$81,484,818.14. On August 12, 2016, the Authority defeased \$8,795,000 of its 2012 A Tax-Exempt Gross Revenue Lien Certificates and \$13,995,000 of its 2012B Taxable Gross Revenue Senior Lien Lease Certificates using funds in the General Fund. The aforementioned retirement resulted in a loss on defeasance of \$3,031,439.05. On August 10, 2020, the Authority defeased \$18,825,000 of its 2012 A Tax-Exempt Gross Revenue Lien Certificates using funds in the General Fund. The aforementioned retirement resulted in a loss on defeasance of \$ 1,675,668.75. On November 22, 2019, the Authority issued \$160,625,000 Gross Revenue Senior Lien Lease Certificates, Series 2019 in order to defease \$151,285,000 of the 2012 Senior Lease Certificates (Series A & C). The aforementioned defeasance resulted in a loss on defeasance of \$9,349,451.18. The Authority also purchased Prepaid Bond Insurance in the amount of \$300,242.34. On October 31, 2021, the Authority issued \$54,200,000 Gross Revenue Senior Lien Certificates, Series 2021, in order to refund \$54,170,00 of the 2012 Senior Lease Certificates (Series B). The aforementioned refunding resulted in a loss on refunding of \$19,694,257.99. The Authority also purchased Prepaid Bond Insurance in the amount of \$150,991.17. Reference to Schedule 10 will show the amortization for fiscal year ended 2022 and 2021 was \$8,738,768.83 and \$8,242,637.60 leaving a remaining balance of \$ 40,288,371.45.

7. Amortization of Deferred Outflows of Resources

Cost of Issuance / Debt Discount/ Premium

Gross Senior Lien Lease Certificates (Series 2012 A, B, C) - cost of issuance was \$7,186,226.22. This amount was fully expensed as per implementation of GASB 65. The Series 2012 Lien Certificates were also issued at a premium of \$13,770,101.10. During fiscal year 2018 and 2019 respectively, there was a gain that resulted from the refunding of various New Jersey Infrastructure loans in the amount of \$314,000 and \$1,186,690.55. The Series 2021 Lien Certificates were issued at a premium of \$19,457,107.45. The total deferred premiums and gains totaled \$34,727,899.10. Amortization for the fiscal year ended January 31, 2022 and 2021 was \$1,182,626.91 and \$696,199.22, leaving a remaining balance of \$29,122,615.44 (Premium \$28,581,062.82 and Gain \$541,522.62).

8. Contingencies

Litigation

The Authority is party to various legal proceedings which normally occur in governmental operations and the Authority’s attorney has reported in accordance with Financial Accounting Standards No.5 the following: there exists no pending or threatened litigation involving the Authority not otherwise covered by insurance or indemnification agreements that is material.

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9. Grant Revenues

In October of 2012, the Authority incurred expenditures for emergency repairs as a result of hurricane Sandy. In September of 2021, the Authority incurred expenditures for emergency repairs as a result of hurricane Ida. The Authority is currently working with the Department of Homeland Security Disaster Grants- Public Assistance to obtain funding to complete the emergency repairs. During the fiscal year ended January 31, 2022 the Authority had incurred additional expenditures as a result of hurricane Ida of \$105,781.96, with a grant award of \$95,203.76 and had a receivable balance from FEMA of \$ 208,441.57. The total cost of these repairs is expected to be approximately \$13,802,700.58. Insurance proceeds received in 2014 were \$5,000,000 and requests for FEMA monies will be approximately \$7,922,430.52 net of 10% Authority share of costs of \$880,270.06. The Authority adjusted its FEMA receivable to reflect the 10% Authority share of costs, which resulted in a decrease of the grant revenue of (\$534,559.79) in fiscal year 2020 and (14,843.49) in fiscal year 2022.

The Authority is in the process of applying for a COVID-19 FEMA grant from the Department of Homeland Security. The expected grant award of \$33,393.69 for approved expenditures is \$37,104.10, and has reflected this amount as a grants receivable for the fiscal year ended January 31, 2022.

The Authority was also awarded a grant from NJ Department of Environmental Protection in the amount of \$5,000 for electric vehicle charging stations under the NJDEP IT Pay\$ to Plug In Program.

10. Allowance for Doubtful Accounts

Management reviews user charges receivables periodically, to determine if the allowance for doubtful accounts needs to be adjusted. The balance of the user charges receivable was \$9,981,416.88 and \$9,732,609.44 for fiscal year ending January 31, 2022 and 2021, respectively. Interest and penalties receivable was \$1,375,396.06 and \$1,624,265.76 for the fiscal year ending January 31, 2022 and 2021, respectively. The reserve for doubtful accounts at January 31, 2022, and 2021 was \$2,400,000.

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11. Net Position

Net position represents the difference between the Authority's assets and liabilities. Net position is categorized into three components:

Invested in capital asset, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, notes or other borrowings.

Restricted - Net position is reported as restricted when constraints are placed on the use of the net assets by either creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - Net position that does not meet the definition of invested in capital assets, net of related debt or restricted.

	<u>January 31, 2022</u>	<u>January 31, 2021</u>
Invested in Capital Asset, net of related debt		
Net Property, Plant and Equipment	\$ 395,416,368.33	\$ 379,647,509.42
Senior Lien Certificates/ Sewer Refunding Bonds/ Notes Payable (Schedule 9)	(295,745,000.00)	(301,210,000.00)
NJ Environmental Infrastructure Loan Payable	(89,453,236.21)	(96,217,588.12)
Unspent Proceeds (Construction Funds/ 2012 Lease Proceeds Account)	22,066,922.87	23,424,986.88
NJ Environmental Infrastructure Loan Receivable	22,868,123.00	33,587,015.00
Bond Defeasance, Discounts, Premiums, Net	11,165,756.01	29,181,891.12
	<u>66,318,934.00</u>	<u>68,413,814.30</u>
Restricted - Other		
Renewal and Replacement	11,000,000.00	11,000,000.00
Operating Reserve/ Debt Service Reserve Required	24,032,141.80	24,032,141.80
	<u>35,032,141.80</u>	<u>35,032,141.80</u>
Unrestricted	<u>45,100,997.67</u>	<u>36,069,138.91</u>
TOTAL NET POSITION	<u>\$ 146,452,073.47</u>	<u>\$ 139,515,095.01</u>

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12. Master Lease Agreement Cash Flow Requirements:

The specific master lease requirements are as follows:

Section 3.17 Rates and Charges. (a) With respect to the use of the System, the Lessee will, make, impose, charge and collect Gross Revenues and other charges in accordance with the terms of the Sewerage Authorities Law, other applicable laws of the State of New Jersey, and as provided for in paragraph (b) below.

(b) Such Gross Revenues and other charges for or with respect to the use of the System shall be so estimated, computed, made, charged, imposed, collected and revised from time to time so that the Gross Revenues and other charges which are collected by the Lessee and paid to the Security Agent bank pursuant to the terms of the Lease for each Fiscal Year (less any amounts transferred from the Revenue Fund to the Rent Stabilization Account in such Fiscal Year) will be at least sufficient to provide an amount which is equal to the sum of: (1) 115% of the Annual Debt Service Requirement; (2) 100% of the annual debt service requirements on any Subordinated Debt for such Fiscal Year (giving effect to moneys which are on deposit, or which are anticipated to be on deposit, in the Subordinated Debt Service Fund at the beginning of such Fiscal Year); (3) 100% of the amount necessary to pay Operating Expenses of the Lessee in each Fiscal Year (giving effect to moneys which are on deposit, or which are anticipated to be on deposit, in the Operating Fund at the beginning of such Fiscal Year); (4) the amounts necessary to provide in each Fiscal Year the respective amount, if any, which is needed so that the amount which is on deposit in the (i) Renewal and Replacement Fund will equal the Renewal and Replacement Fund Requirement; (ii) Reserve Fund will equal the Reserve Fund Requirement, and (iii) Rent Stabilization Account will equal the Rent Stabilization Requirement; (5) to provide for the payment of all other charge or liens which are related to the System whatsoever which are payable by the Lessee out of such rents, fees and charges during such Fiscal Year; and (6) to provide in such Fiscal Year for payment of any additional amounts which are necessary to comply with the provisions of the Agent Agreement and the Lease and all other statutory and legal obligations of the Lessee. In addition to the requirement of the preceding sentence, such Gross Revenues and other charges which are collected by the Lessee and paid to the Security Agent Bank for each Fiscal Year (less any amounts transferred from the Revenue Fund to the Rent Stabilization Account in such Fiscal Year) will be at least sufficient to provide an amount which is equal to the sum of: (1) 110% of the sum of (a) the Annual Debt Service Requirement for each Fiscal Year and (b) the annual debt service requirements on any Subordinated Debt for such Fiscal Year (giving effect to moneys which are on deposit, or which are anticipated to be on deposit, in the Subordinated Debt Service Fund at the beginning of such Fiscal Year); (2) 100% of the amount necessary to pay Operating Expenses of the Lessee in each Fiscal Year (giving effect to moneys which are on deposit, or which are anticipated to be on deposit, in the Subordinated debt Service Fund at the beginning of such Fiscal Year); (3) the amounts necessary to provide in each Fiscal Year the respective amount, if any, which is needed so that the amount which is on deposit in the (i) Renewal and Replacement Fund will equal the Renewal and Replacement Fund requirement; (ii) Reserve Fund will equal the Reserve Fund requirement, (iii) Rent Stabilization Account will equal the Rent Stabilization Requirement; (4) to provide for the payment of all other charges or liens which are related to the System whatsoever which are payable by the Lessee out of such rents, fees and charges during such Fiscal Year; and (5) to provide in such Fiscal Year for payment of any additional amounts which are necessary to comply with the provisions of the Agent Agreement and the Lease and all other statutory and legal obligations of the Lessee. Copies of every schedule of rates, charges, and revisions thereof prescribed or adopted by the Lessee will be filed promptly with the Rate Consultant and the Lessor. Notwithstanding the provisions of this Section, the Authority shall not be required to charge Revenues and other charges if, and in the opinion of the Consulting Engineer, such rents, fees and other charges would result in a decrease in Gross Revenues of the Authority and in determining compliance.

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12. Master Lease Cash Flow Compliance (Continued)

The test for resolution compliance is based on a cash basis statement of revenue and expenses, which is a different basis from GAAP, as compared to the debt service requirements, which includes principal and interest payments on Lease certificates and NJ Infrastructure Loans on the cash basis. Gross revenues include user fees, facility charges, and connection fees.

	<u>January 31, 2022</u>		<u>January 31, 2021</u>
Revenues			
Sewer Fees/Facility Charges	\$ 52,516,952.09		\$ 50,601,971.09
Penalties	1,815,526.04		1,396,630.00
Interest on Investments	33,388.80		164,282.61
Connection Fees	2,189,490.60		3,289,359.05
Solar Renewal Energy Credits	36,093.00		33,959.00
Misc. Income	<u>11,846.45</u>		<u>15,910.25</u>
Total Revenues (Cash Basis)		\$ 56,603,296.98	\$ 55,502,112.00
Senior Lien Obligations			
Fixed Rent Payments	<u>17,296,186.00</u>		<u>18,101,174.63</u>
Net Senior Debt Service		<u>17,296,186.00</u>	<u>18,101,174.63</u>
Net Cash After Senior Debt Service		39,307,110.98	37,400,937.37
Operating Expenses (Cash Basis)		21,341,293.41	21,813,807.25
Junior Lien Obligations			
Junior Lien Debt Service	7,410,422.06		7,884,604.35
Net Junior Lien Obligation		7,410,422.06	7,884,604.35
Net Surplus Available to pay for Construction, Defeasance of Debt & Other Reserves		<u>\$ 10,555,395.51</u>	<u>\$ 7,702,525.77</u>
Senior Lien Coverage (Total Revenues/ Net Senior Debt Service)		3.27	3.07
Total Debt Service Coverage (Total Revenues/ Total Debt Service)		2.29	2.14
Senior Lien Coverage Net (Revenues less Operating Expenses/ Net Senior Lien Debt Service)		2.04	1.86
Total Debt Service Coverage (Revenues less Operating Expenses/ Total Debt Service)		1.43	1.30

Upon issuance of the 2012 Certificates, proceeds were deposited into the Reserve Fund in satisfaction the "Reserve Fund Requirement." The "Reserve Fund Requirement" shall mean as of any date of computation, an amount equal to the greatest amount required in the then current year or any future calculation year, to pay the sum of principal (including sinking fund requirements) and interest on the Certificates payable with certain other restrictions and requirements outlined in the master lease agreement. The initial deposit in the "Reserve Fund" was \$24,032,141.80.

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13. Sewer Charge Due Dates

Sewer Charge due dates are February 1st, May 1st, August 1st, and November 1st.

14. Retirement Plans

Description of Plans

Employees who are eligible for a pension plan are enrolled in the State administered plan, the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction. 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. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for PERS. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625 or can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The Division annually charges participating governmental units for their respective contributions to the PERS based upon actuarial methods. Contributions to the DCRP are charged at a rate of 3% of the respective member's base salary. Employees are required to contribute to the PERS and DCRP at a rate of 5.5% of their base salary. The Authority share of pension costs charged to the 2021-22 and 2020-21 budget amounted to \$15,093.73 and \$187,400.29, respectively. The fiscal year 2021-22 charged reflects an adjustment due to amortization of deferred outflows and inflows in the amount of (\$110,895). The actual amount due for pension expense was \$123,247. Employees are also covered by the Federal Insurance Contribution Act, (Social Security).

Summary of Significant Accounting Policies -PERS

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective beginning with the year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

Amendments to and further clarification of GASB 68, include GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, GASB 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 67 and 68.*, and GASB 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* and GASB Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73* which 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.

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14. Retirement Plans (Continued):

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At January 31, 2022 and 2021, the Authority reported a liability of \$1,246,713 and \$1,356,110 respectively, for its proportionate share of the net pension liability. The total pension liability in the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, the District's proportion was .0105239% and 0.008316%, which was an increase of .0022079% from its proportion measured as of June 30, 2020.

For the fiscal year ended January 31, 2022, the Authority recognized pension expense of \$12,352, based on a pension payable of \$123,247 net with a pension adjustment of (\$110,895) due to amortization of deferred amounts. At January 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	January 31, 2022		January 31, 2021	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflow of</u>	<u>Outflows of</u>	<u>Inflow of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Difference between expected and actual experience	\$ 19,662	\$ 8,925	\$ 24,693	\$ 4,796
Changes of assumptions	6,493	443,838	43,994	567,816
Net difference projected and actual earnings on pension plan investments		328,417	46,353	
Changes in proportion and differences between Authority and proportionate share of contributions	578,295		279,344	
Authority contributions subsequent to the measurement date				
Total	<u>\$ 604,450</u>	<u>\$ 781,180</u>	<u>\$ 394,384</u>	<u>\$ 572,612</u>

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14. Retirement Plans (Continued):

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

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

	Year Ended June 30:
2022	\$ (294,170)
2023	(210,037)
2024	(143,209)
2025	(107,651)
2026	42
Total	\$ (755,025)

Changes in Proportion-The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48, and 5.57 years for the years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

	6/30/2021	6/30/2020
Collective deferred outflows of resources	\$ 248,531,007	\$ 1,383,360,202
Collective deferred inflows of resources	7,422,916,600	6,885,726,332
Collective net pension liability (Non-State-Local Group)	11,972,782,878	16,435,616,426
Authority's portion of net pension liability	1,246,713	1,356,110
Authority's proportion %	0.0105238914%	0.0083159227%

Actuarial assumptions. The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% – 6.00% based on years of service.
Thereafter	3.00% – 7.00% based on years of service.
Investment Rate of Return:	7.00%

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

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14. Retirement Plans (Continued):

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00 % at June 30, 2021) 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, 2021 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
US Equity	27.00%	8.09%
Non-US Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	9.15%
Real Estate	8.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
US Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount rate. The discount rate used to measure the total pension liability was 7.00% and 7.00% and as of June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. 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. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

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14. Retirement Plans (Continued):

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the Borough's proportionate share of the net pension liability measured as of June 30, 2021 and 2020, calculated using the discount rate of 7.00% and 7.00% respectively, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	(6.00%)	(7.00%)	(8.00%)
Borough's proportionate share of the net pension liability	\$ 1,697,770	\$ 1,246,713	\$ 863,927
June 30, 2020			
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	(6.00%)	(7.00%)	(8.00%)
Borough's proportionate share of the net pension liability	\$ 1,707,116	\$ 1,356,110	\$ 1,058,272

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

PERS Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under disability provisions of PERS. Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance to their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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14. Retirement Plans (Continued):

Notes to required supplementary information: Pension Schedule 11 PERS:

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

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

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

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 under provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and was expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The program provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial.

Under DCRP, the value of the pension is based on the amount of the contributions made by the employees and employer and through investment earnings. The employee, through options provided under the plan, directs investment of contributions. The employee contribution to DCRP is 5.5% of defined salary and the employer contributes 3%. The employer also makes contribution for eligible members' life insurance and disability coverage under DCRP. The Authority's contributions to DCRP were \$2,741.73 and \$2,693.29 in fiscal year 2022 and 2021, respectively.

Deferred Compensation Plan

The Authority maintains a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457.

Any employee of the Authority is eligible to participate in the Plan. Participation in the Plan is entirely voluntary on the part of each employee. The Authority does not and is not required to make contributions to the Plan. Great West Life & Annuity are the Administrators of the Plan.

See independent auditor's report.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
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15. Other Post Retirement Benefits

The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On April 19, 2007, NHSA authorized participation in the SHBP's post-retirement benefit program through resolution number 07-045. Pursuant to N.J.S.A. 40A:10-23, the Authority shall pay the entire cost of health care insurance coverage for its retired employees and their eligible dependents under the following circumstances: 1. Retirement on a disability pension; 2. Retirement after 25 years or more of service credits in a State or locally administered retirement system and 5 years or more of service with the Authority at the time of retirement; 3. Retirement at age 62 years or older with at least 15 years of service with the Authority.

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

State Health Benefit Program Fund- Local Government Retired (the Plan) (including Prescription Drug Program Fund) - N.J.S.A. 43 :3c-24 established a separate trust fund for certain non-State participating employers to provide funding for State Health Benefit Program coverage to its eligible retirees. Under the provisions of Chapter 330, P.L. 1997, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire 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. For additional information about the Plan, please refer to the State Division of Pensions and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation agreement.

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THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
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15. Other Post Retirement Benefits (Continued)

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52: 14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

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 accessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the plan to make a number of estimates relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from estimates. The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

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

As of June 30, 2021, the most recent measurement date, the State had \$17,999,781,235 unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$3,861,357,890 for state non-employer active and retired members, \$14,138,423,345 for local participating employer active and retired members.

The funded status and funding progress of the OPEB includes 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.

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THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021

15. Other Post Retirement Benefits (Continued)

Funded Status and Funding Progress

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 or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2021 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Plan Membership and Contributing Employers

At June 30, 2019, the OPEB plan membership and contributing employers consisted of the following:

<u>Local Government Retired</u>	<u>June 30, 2019</u>
Active Plan Members	62,547
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>30,614</u>
Total Plan Members	93,161

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

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15. Other Post Retirement Benefits (Continued)

Post-Retirement Medical Benefits Contribution

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan-using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Authority's contributions to the State Health Benefits Program Fund Local Government Retired Plan for post-retirement benefits for the year ended January 31, 2022 was \$70,616, which equaled the required contributions for the year. Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. Funds for retiree health premiums are raised each year in the Authority's budget.

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

The accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) as applied to governmental units, requires participating employers in the State Health Benefit Program Fund –Local Government Retired Plan to accrue and disclose in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2021 and 2020. Employer allocation percentages have been rounded for presentation purposes.

At January 31, 2022 and 2021, the Authority reported a liability of \$2,046,395 and \$2,066,732, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020. The Authority's proportionate share of the net OPEB liability was based on the ratio of the Authority's proportionate share of the OPEB liability attributable to the Authority at January 31, 2022 and 2021 to the total OPEB liability for the State Health Benefit Program Fund- Local Government Retired Plan at June 30, 2021 and 2020, respectively. As of the measurement date of June 30, 2021 the Authority's proportionate share was .011369 percent, which was a decrease of .000147 percent from its proportionate share measured as of June 30, 2020 of .011516 percent.

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THE NORTH HUDSON SEWERAGE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
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15. Other Post Retirement Benefits (Continued)

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

For the year ended January 31, 2022 the Plan has determined the Authority's OPEB expense (benefit) to be \$33,272 based on the actuarial valuations. At January 31, 2022, measured at June 30, 2021, the Authority's deferred outflows of resources and deferred inflows of resources related to the OPEB plan reported on the Authority's financial statements are from the following resources:

	June 30, 2021		June 30, 2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 45,919	\$ 428,136	\$ 54,436	\$ 384,864
Changes of assumptions	294,380	361,724	309,118	459,609
Net difference projected and actual earnings on OPEB plan investments	978		1,312	
Changes in proportion and differences between Authority's and proportionate share of contributions	377,718	140,834	456,279	134,762
Authority's contributions subsequent to the measurement date				
Total	<u>\$ 718,995</u>	<u>\$ 930,694</u>	<u>\$ 821,145</u>	<u>\$ 979,235</u>

At June 30, 2021, the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

	Year Ended June 30:
2022	\$ (122,189)
2023	(122,349)
2024	(122,496)
2025	(87,475)
2026	(14,705)
Thereafter	20,631
Total	<u>\$ (448,583)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining useful life of all plan members, which is 7.82, 7.87, 8.05, 8.14 and 8.04 years for the 2021, 2020, 2019, and 2018 amounts, respectively.

See independent auditor's report.

THE NORTH HUDSON SEWERAGE AUTHORITY
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15. Other Post Retirement Benefits (Continued)

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

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended January 31, 2022 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation rate:	2.50%
Salary Increases*:	
PERS-Through 2026	2.00-6.00%
Thereafter	3.00-7.00%
PFRS- Rate for Future Years	3.25-15.25%

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from central year using Scale MP-2021.

*Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2022 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years.

See independent auditor's report.

THE NORTH HUDSON SEWERAGE AUTHORITY
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15. Other Post Retirement Benefits (Continued)

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

Discount rate

The discount rate used to measure the total pension liability was 2.16% and 2.21% as of June 30, 2021 and 2020, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Authority's proportionate share of the OPEB net liability as of January 31, 2021 and 2020 calculated using the discount rate of 2.16% and 2.21%, respectively, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

		June 30, 2021		
		<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
		<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
Authority's proportionate share of the net OPEB				
liability	\$	2,408,214	\$ 2,046,395	\$ 1,759,645
		June 30, 2020		
		<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
		<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Authority's proportionate share of the net OPEB				
liability	\$	2,489,378	\$ 2,066,732	\$ 176,863

The sensitivity analysis was based on the proportionate share of the Authority's net OPEB liability at June 30, 2021 and 2020. A sensitivity analysis specific to the Authority's net OPEB liability was not provided by the Plan.

See independent auditor's report.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021

15. Other Post Retirement Benefits (Continued)

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

The following presents the Authority's proportionate share of the OPEB net liability as of June 30, 2021 and 2020 calculated using the healthcare trend rates as disclosed above as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Health Cost Trend Rates		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ 1,707,383	\$ 2,046,395	\$ 2,488,764
	Health Cost Trend Rates		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ 1,710,223	\$ 2,066,732	\$ 2,533,586

The sensitivity analysis was based on the proportionate share of the Authority's net OPEB liability at June 30, 2021 and 2020.

OPEB Plan Fiduciary Net Position

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

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

Health Insurance Waiver

The Authority does not have a formal resolution authorizing a health insurance waiver but follows the state requirements for waivers. Health insurance waivers are in an amount of the lesser of \$5,000 or the actual net insurance cost to employees that can show that coverage is provided by a spouse or other means, except if the spouse is already a member of the NJ Health Benefits Plan. In the fiscal year ending 2022, the Authority had no employees receiving this benefit.

See independent auditor's report.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
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16. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The Authority maintains commercial insurance coverage through American Alternative Insurance Company, Markel American Insurance Company, and Ace American Insurance Company. for property, liability, umbrella, public official’s liability, pollution and boiler and machinery coverage.

Cyber Security Insurance – The Authority also maintains cyber liability insurance coverage through National Union Fire Insurance Company of Pittsburgh for protection when claims are made against the Authority for monetary damages arising out of an electronic information security event. The insurance also covers expenses occurring as a result of a privacy crisis management or cyber extortion event.

17. Liquidity, Management Plans and Intentions

Due to COVID-19 Pandemic, the Authority had to adjust its operations in FY 2022 to continue to provide services to ratepayers. The Pandemic did not have a significant impact on the financial statements of the Authority for the fiscal year ended January 31, 2022. However, the Pandemic did result in the State of New Jersey taking steps to award additional grant monies to help offset some additional costs incurred related to public health. Additionally, the Authority prepared and balanced the FY2022 budget and considered the potential impact the Pandemic could have on Authority operations. Management believes that the net position as of January 31, 2022, and the anticipated revenues from user fees, connection fees, interest, grants, and other revenues will be sufficient to meet the Authority’s financial needs for one year from the date of issuance of this report.

18. Subsequent Events

The Authority established a new sewer rate of \$10.35 per 1,000 gallons effective February 1, 2022.

The Authority adopted its fiscal year 2023 budget on February 17, 2022.

Management has reviewed subsequent events through February 7, 2023 which is the date the financial statements are available to be issued.

See independent auditor’s report.

SINGLE AUDIT SECTION

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Commissioners
of The North Hudson Sewerage Authority
County of Hudson
Hoboken, New Jersey 07030

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of The North Hudson Sewerage Authority, County of Hudson, State of New Jersey (the "Authority"), as of and for the year ended January 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We noted certain other matters that were reported in the schedule of audit comments and recommendations as item number 2022-001.

Authority's Response to Findings

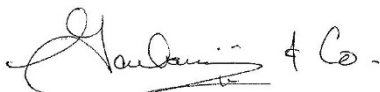
The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C. CPA's
Registered Municipal Accountants
February 7, 2023
Ho-Ho-Kus, New Jersey

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY OMB UNIFORM GUIDANCE U.S. AND N.J. OMB CIRCULAR 15-08

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Commissioners
of The North Hudson Sewer Authority
County of Hudson
Hoboken, New Jersey 07030

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the compliance of the North Hudson Sewerage Authority, County of Hudson, State of New Jersey (the "Authority"), with the types of compliance requirements described in the *OMB Compliance Supplement* and the *N.J. State Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal and state programs for the fiscal year ended January 31, 2022. The Authority's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended January 31, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *OMB Compliance Supplement and the N.J. State Grant Compliance Supplement*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and *N.J. OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and *N.J. OMB Circular 15-08*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and *N.J. OMB Circular 15-08*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

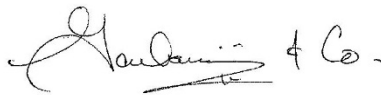
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08.

We have audited the financial statements of the Authority as of and for the Authority's fiscal year ended January 31, 2022 and the related notes to the financial statements, which collectively compromise the Authority's basic financial statements. We issued our report thereon dated February 7, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the Uniform Guidance and schedule of expenditures of state financial assistance as required by *New Jersey OMB Circular 15-08* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements a whole.

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



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C. CPA's
Registered Municipal Accountants

February 7, 2023
Ho-Ho-Kus, New Jersey

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 1F

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

CFDA No.	Program	State Grant Pass Through Number/ Project Number	Grant Period	NJEIT Loans Outstanding	Grant Award	Cash Received	Program Expenditures	Cumulative Disbursements
66.458	Environmental Protection Agency: Environmental Public Wastewater Facilities Pass Through Entity:							
66.458	New Jersey Environmental Infrastructure Financing Program CSO Rehabilitation:	CSO-98-042						
66.458	NJEIT 05 - Fund Portion	042-4860-510-009	02/01/2021-01/31/2022	\$ 1,058,666.49	\$ 6,038,809	\$ -	\$ -	\$ 6,038,809
66.458	NJEIT 18-28-Fund Portion	S340952-05,-01-1 S340952-28	02/01/2021-01/31/2022	800,978.90	891,089.00			891,089.00
66.458	NJEIT 18-22/20-22-Fund Portion	S340952-22	02/01/2021-01/31/2022	8,022,503.98	13,587,444.00			13,587,444.00
66.458	NJEIT 18-23/20-23- Fund Portion	S340952-23	02/01/2021-01/31/2022	1,540,595.66	1,657,619.00			1,657,619.00
66.458	* NJEIT 18-30- Construction Loan-Fund Portion- Interim Program	S340952-30	02/01/2021-01/31/2022	17,326,733.00	17,326,733.00	3,962,736.00	3,962,736.00	15,640,823.00
66.458	* NJEIT 18-CSO-01 Construction Loan-Fund Portion- Interim Program	S345190-01	02/01/2021-01/31/2022	3,638,892.00	3,638,892.00			1,779,081.00
66.458	* NJEIT 20-31 Construction Loan-Fund Portion- Interim Program	S340952-31	02/01/2021-01/31/2022	547,350.00	547,350.00	74,479.00	74,479.00	74,479.00
66.458	* NJEIT 20-33 Construction Loan-Fund Portion- Interim Program	S340952-33	02/01/2021-01/31/2022	23,981,208.00	23,981,208.00	6,292,711.00	6,292,711.00	6,292,711.00
66.458	* NJEIT 20-34 Construction Loan-Fund Portion- Interim Program	S340952-34	02/01/2021-01/31/2022	800,000.00	800,000.00	388,966.00	388,966.00	388,966.00
66.458	* NJEIT 20-36 Construction Loan-Fund Portion- Interim Program	S340952-36	02/01/2021-01/31/2022	750,000.00	750,000.00			-
					<u>69,219,144.00</u>	<u>10,718,892.00</u>	<u>10,718,892.00</u>	<u>46,351,021.00</u>
97.036	Department of Homeland Security Disaster Grants- Public Assistance	066 1200 100 A92	02/01/12-01/31/22		7,922,430.52	250,000.00		11,605,298.57
97.036	Hurricane IDA- Public Assistance	066 1200 100 C84	02/01/20-03/31/22		95,203.76		95,203.76	95,203.76
					<u>\$ 77,236,778.28</u>	<u>\$ 10,968,892.00</u>	<u>\$ 10,814,095.76</u>	<u>\$ 58,051,523.33</u>

SCHEDULE OF STATE FINANCIAL ASSISTANCE

Schedule 1S

Pass Through Entity ID#	Program	State Grant Number	Grant Period	NJEIT Loans Outstanding	Grant Award	Cash Received	Program Expenditures	Cumulative Disbursements
CS0-98-042	State of New Jersey, Department of Environmental Protection: NJ Environmental Infrastructure Bank Financing Program:							
	NJEIT 05 - Trust Portion	S340952-05,-01-1	02/01/2021-01/31/2022	\$ 695,000.00	\$ 2,012,936	\$ -	\$ -	\$ 2,012,936
	NJEIT 18-28-Trust Portion	S340952-28	02/01/2021-01/31/2022	290,000.00	300,000.00			297,030.00
	NJEIT 18-22/20-22-Trust Portion	S340952-22	02/01/2021-01/31/2022	2,465,000.00	2,515,000.00			2,515,000.00
	NJEIT 18-23/20-23- Trust Portion	S340952-23	02/01/2021-01/31/2022	535,000.00	545,000.00			545,000.00
	* NJEIT 18-30- Construction Loan-Trust Portion	S340952-30	02/01/2021-01/31/2022					
	* NJEIT 18-CSO-01 Construction Loan-Trust Portion	S345190-01	02/01/2021-01/31/2022					
	* NJEIT 20-31 Construction Loan-Trust Portion	S340952-31	02/01/2021-01/31/2022					-
	* NJEIT 20-33 Construction Loan-Trust Portion	S340952-33	02/01/2021-01/31/2022					-
	* NJEIT 20-34 Construction Loan-Trust Portion	S340952-34	02/01/2021-01/31/2022					-
	* NJEIT 20-36 Construction Loan-Trust Portion	S340952-36	02/01/2021-01/31/2022					-
					<u>5,372,936.00</u>	<u>-</u>	<u>-</u>	<u>5,369,966.00</u>
	State of New Jersey, Department of Environmental Protection: It Pay\$ to Plug in: Electric Vehicle Charging Grant Program		02/01/2021-01/31/2022		5,000.00		5,000.00	5,000.00
					<u>\$ 5,377,936.00</u>	<u>\$ -</u>	<u>\$ 5,000.00</u>	<u>\$ 5,374,966.00</u>

* Trust & Loan Portion To be determined upon permanent financing

See independent auditor's opinion and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEARS ENDED JANUARY 31, 2022 AND 2021

1. General

The accompanying schedules present the activity of all federal and state financial assistance programs of the Authority. The Authority is defined in Note 1 of the Authority’s financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of expenditures of awards.

2. Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles as promulgated by Governmental Accounting Standards Board (GASB) and applicable to enterprise funds of state and local governments.

Revenues are recognized in the accounting period when they become susceptible to accrual. Expenditures, if measurable, are recognized in the accounting period in which the liability is incurred.

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Relationship of Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Authority’s financial statements, exclusive of the un-appropriated reserves. Financial assistance awards are reported in the Authority’s financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>
General Program	\$ 10,814,095.76	\$ 5,000.00

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

5. Federal/State Loans Outstanding

The Authority’s Federal/State NJ DEP Environmental Infrastructure loans outstanding at January 31, 2022, are \$ 89,453,236.21: \$42,409,053.21 for Permanent Financing (as per Schedule 9) and \$47,044,183 Infrastructure - Non-Permanent Construction Loan Payable.

**The North Hudson Sewerage Authority
County of Hudson, State of New Jersey
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended January 31, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

[Reference – Section .516 and .518 of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards]

Type of Auditors Report Issued	Unqualified		
Internal Control over Financial Reporting:			
1) Material weakness(s) identified?	Yes	X	No
2) Significant deficiencies identified?	Yes	X	No
Noncompliance material to basic financial statement noted?	Yes	X	No

Federal Awards

Internal Control over major programs:			
1) Material weakness(s) identified	Yes	X	No
2) Significant deficiencies identified?	Yes	X	No
Type of auditor’s report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 2CFR 200 section .516(a) of?	Yes	X	No

Identification of major programs:

	CFDA Number	Name of Federal Program or Cluster
(Type A)	66.458	NJ Department of Environmental Protection Infrastructure Improvement Trust/Loan. (CSO-98-042)
(Type A)		

Dollar threshold used to determine type A and type B programs:	\$ 750,000		
Auditee qualified as low-risk auditee?	X	Yes	No

**The North Hudson Sewerage Authority
 County of Hudson, State of New Jersey
 Schedule of Findings and Questioned Costs (Continued)
 For the Fiscal Year Ended January 31, 2022**

Section I – Summary of Auditor’s Results (Continued)

State Awards

Dollar threshold used to determine Type A and Type B Programs: \$750,000

Audited qualified as low-risk auditee? X Yes No

Internal Control over Major Programs

1) Material weakness identified Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Type of Auditor’s Report Issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08? Yes X No

Identification of major programs:

	<u>State Grant/ Project Number</u>	<u>Name of State Program</u>
(Type A)	CSO-98-042	NJ Department of Environmental Protection Infrastructure Improvement Trust/Loan. (CSO-98-042)

**The North Hudson Sewerage Authority
County of Hudson, State of New Jersey
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended January 31, 2022**

Section II – Financial Statement Findings

[This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08 audit.]

None Reported

Section III – Schedule of Federal and State Award Findings and Questioned Cost

[This section identifies audit findings required to be reported by section 2 CFR 200 section .516 of the Uniform Administrative Requirements for Federal Awards and NJOMB Circular Letter 15-08].

FEDERAL AWARDS

None Reported

STATE AWARDS

None Reported

***Section IV: Summary Schedule of Prior – Year Audit Findings
and Questioned Costs as Prepared by Management***

[This section identifies the status of prior-year findings related to the general-purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, *USOMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (section .511 (a)(b)) and NJOMB's Circular Letter 15-08].

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
STATUS OF PRIOR YEAR AUDIT FINDINGS & RECOMMENDATIONS
JANUARY 31, 2022

PRIOR YEAR AUDIT FINDINGS AND STATUS:

Recommendation 21-001:

That all sewer charge receivables be reviewed to determine if any receivables should be canceled, placed on property tax sale or litigated.

Status of Prior Year Finding:

Partial corrective action has been taken. The Authority is consistently investigating aged accounts receivables through inclusion in member municipality tax sales and litigation, however, there still remains a receivable balance greater than 12 months of \$ 6,809,923.10. An allowance for doubtful accounts has been maintained in the amount of \$2,400,000.

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
CURRENT FISCAL YEAR AUDIT FINDINGS & RECOMMENDATIONS
JANUARY 31, 2022

CURRENT FISCAL YEAR AUDIT FINDINGS AND STATUS:

***Finding # 2022-001:**

That the delinquent sewer charges receivable accounts greater than 6 months should be evaluated by management.

Condition

The authority's accounts receivable aging balance report as of January 11, 2023 shows a total current balance of accounts greater than 12 months total of \$ 6,809,923.10.

Recommendation:

That all sewer charges receivable continue to be reviewed to determine if any receivables should be canceled, placed on property tax sale or litigated.

Management's Response:

The Authority reviews its delinquent accounts on a regular basis to determine if any balances should be canceled, placed in property tax sale or litigated. Account balances are cancelled when it is determined incorrect water consumption data was used to calculate the bill. The Authority is entitled under State law to have its delinquent accounts included in the tax sales of its four constituent municipalities. However, two of those municipalities have not included sewer accounts in their respective tax sales for several years. This greatly hinders the ability of the Authority to collect delinquent accounts. As a result of the municipalities' refusal to include Authority delinquent accounts, the Authority has been compelled to hire Special Collections Counsel to assist in the collection of delinquent accounts which are not placed in tax sale. Efforts to collect those delinquent accounts have included payments plans, settlement agreements and litigation, as appropriate. The Authority's persistent efforts to persuade the two municipalities to include its liens in their tax sales have, thus far, met with no success. The Authority continues its collection efforts through its Special Collections Counsel and raises periodically the issue of exclusion from tax sales with the appropriate municipalities.

***Repeated from prior year's audit.**

SUPPLEMENTARY INFORMATION

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AUTHORITY ACCOUNTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 2

	Trustee/ Wealth Operating Fund	Operating	TD Bank Revenue	Payroll Agency	Petty Cash/ Change Fund	Wealth General Fund	Rent Stabilization Fund	Rate Stabilization Fund	Total
Cash and Cash Equivalents Investments	\$5,555,025.00	\$ 1,164,480.53	\$ 3,998,494.78	\$ (2,040.00)	\$ 1,800.00	\$16,833,075.19	\$ 8,500,757.46	\$ 5,120,117.51	\$41,171,710.47
Cash and Cash Equivalents at January 31, 2021	<u>5,555,025.00</u>	<u>1,164,480.53</u>	<u>3,998,494.78</u>	<u>(2,040.00)</u>	<u>1,800.00</u>	<u>16,833,075.19</u>	<u>8,500,757.46</u>	<u>5,120,117.51</u>	<u>41,171,710.47</u>
Cash Receipts									
Other Misc. Revenue		5,636.19	6,210.26						11,846.45
NJ Solar Renewable Energy Certificates		36,093.00							36,093.00
Accounts Receivable		377,443.96							377,443.96
WNY Parking Lot		110,000.00							110,000.00
FEMA Grants Receivable		250,000.00							250,000.00
Grants									0.00
Refunds and Reimbursements- Operations		6,446.21							6,446.21
Refunds and Reimbursements- Construction									-
Connection Fees		2,200,000.00							2,200,000.00
Overpayments			776,276.36						776,276.36
User Charges 2021-22 Billings			53,565,610.46						53,565,610.46
Interest on Investments	383.02	28,321.23				1,537.23	580.30		30,821.78
Transfer - Interfunds	<u>29,595,766.87</u>	<u>44,663,672.55</u>	<u>2,232,352.00</u>	<u>1,112,532.77</u>	<u>209.65</u>	<u>23,895,496.47</u>		<u>1,008,286.00</u>	<u>102,508,316.31</u>
Total Cash Receipts	<u>29,596,149.89</u>	<u>47,677,613.14</u>	<u>56,580,449.08</u>	<u>1,112,532.77</u>	<u>209.65</u>	<u>23,897,033.70</u>	<u>580.30</u>	<u>1,008,286.00</u>	<u>159,872,854.53</u>
Total Cash and Investments Available	<u>35,151,174.89</u>	<u>48,842,093.67</u>	<u>60,578,943.86</u>	<u>1,110,492.77</u>	<u>2,009.65</u>	<u>40,730,108.89</u>	<u>8,501,337.76</u>	<u>6,128,403.51</u>	<u>201,044,565.00</u>
Cash Disbursements:									
NJIT Principle and Interest		7,410,422.06							7,410,422.06
Capital Accounts Payable		846,252.32							846,252.32
Operations		18,453,786.35		1,117,612.77	209.65				19,571,608.77
Payables (including Pension Payable)		544,859.02							544,859.02
Prepaid Expenses		1,231,271.83							1,231,271.83
Overpayments & Amounts Receivable for Expenditures		350.00							350.00
Fixed Assets -Construction		17,292,825.73							17,292,825.73
Fixed Assets- Work Vehicles		416,331.25							416,331.25
Transfer to Escrow to Defeas Lease Certificates									0.00
Defeasance Costs of Issuance									0.00
Transfer - Interfund	<u>29,087,076.37</u>	<u>1,112,742.42</u>	<u>60,287,100.78</u>			<u>18,181,147.24</u>	<u>518.16</u>		<u>108,668,584.97</u>
Refunds - Connection Fees		10,509.40							10,509.40
Refunds - User charges		9,408.69							9,408.69
Total Cash Disbursements	<u>29,087,076.37</u>	<u>47,328,759.07</u>	<u>60,287,100.78</u>	<u>1,117,612.77</u>	<u>209.65</u>	<u>18,181,147.24</u>	<u>518.16</u>	<u>-</u>	<u>156,002,424.04</u>
Cash and Cash Equivalents at January 31, 2022	<u>\$ 6,064,098.52</u>	<u>\$ 1,513,334.60</u>	<u>\$ 291,843.08</u>	<u>\$ (7,120.00)</u>	<u>\$ 1,800.00</u>	<u>\$ 22,548,961.65</u>	<u>\$ 8,500,819.60</u>	<u>\$ 6,128,403.51</u>	<u>\$ 45,042,140.96</u>
Cash and Cash Equivalents Investments	<u>\$ 6,064,098.52</u>	<u>\$ 1,513,334.60</u>	<u>\$ 291,843.08</u>	<u>\$ (7,120.00)</u>	<u>\$ 1,800.00</u>	<u>\$ 22,548,961.65</u>	<u>\$ 8,500,819.60</u>	<u>\$ 6,128,403.51</u>	<u>\$ 45,042,140.96</u>

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
RESTRICTED ACCOUNTS REQUIRED BY MASTER LEASE AGREEMENT
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 3

	Renewal & Replacement <u>Fund</u>	Construction/ Grant <u>Fund</u>	Reserve <u>Fund</u>	Reserve for Capital Projects <u>Account</u>	<u>Subtotal</u>
Cash and Cash equivalents January 31, 2021	\$ 11,000,000.00	\$ 3,273,052.92	\$ 22,618,846.51	\$ 20,151,933.96	\$ 57,043,833.39
Cash Receipts:					
Due From Infrastructure Trust/ Loan - Reimbursements		10,718,892.00			10,718,892.00
Restricted Interest Income					0.00
Interest Income	750.91		1,544.09		2,295.00
Interfund Transfers				9,380,616.57	9,380,616.57
Receipts from Bond Issue					0.00
Receipts from Bond Issue- Cost of Issuance					0.00
Transfer from Escrow- Defeased Portion					0.00
Total Cash Receipts	750.91	10,718,892.00	1,544.09	9,380,616.57	20,101,803.57
Total Cash and Cash Equivalents Available	11,000,750.91	13,991,944.92	22,620,390.60	29,532,550.53	77,145,636.96
Cash Disbursements:					
COPS Principal/Loan Interest					-
Transfer to 12A Escrow					-
Payment/Redemption 2012 B Bonds					-
Costs of Issuance					-
Interfund Transfers	670.50	13,591,788.72		7,865,783.86	21,458,243.08
Total Cash Disbursements	670.50	13,591,788.72	0.00	7,865,783.86	21,458,243.08
Cash and Cash Equivalents January 31, 2022	\$ 11,000,080.41	\$ 400,156.20	\$ 22,620,390.60	\$ 21,666,766.67	\$ 55,687,393.88
Cash & Cash Equivalents Investments	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
RESTRICTED ACCOUNTS REQUIRED BY MASTER LEASE AGREEMENT
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 3

	Subtotal Previous Page	2012(ABC), 2019, & 2021 Interest Fund	Wealth Revenue Fund	2012(ABC), 2019, 2021 Principal Fund Fund	2021 Cost of Issuance/ Redemption Fund	Total
Cash and Cash equivalents January 31, 2021	\$ 57,043,833.39	\$ 2,337,008.20	\$ 0.06	\$ 1,834,431.47	\$ -	\$ 61,215,273.12
Cash Receipts:						
Due From Infrastructure Trust/ Loan - Reimbursements	10,718,892.00					10,718,892.00
Restricted Interest Income	0.00					0.00
Interest Income	2,295.00	184.69	10.19	76.93	0.21	2,567.02
Interfund Transfers	9,380,616.57	18,890,523.35	71,729,158.51	6,630,000.00	964,355.23	107,594,653.66
Receipts from Bond Issue- Bonds Payable	0.00				54,200,000.00	54,200,000.00
Receipts from Bond Issue- Premium (Net of Discounts & Bond Ins)					18,709,902.76	18,709,902.76
Receipts from Bond Issue- Cost of Issuance					319,017.64	319,017.64
Transfer from Escrow- Defeased Portion	-	7,030,350.00				7,030,350.00
						0.00
Total Cash Receipts	20,101,803.57	25,921,058.04	71,729,168.70	6,630,076.93	74,193,275.84	198,575,383.08
Total Cash and Cash Equivalents Available	77,145,636.96	28,258,066.24	71,729,168.76	8,464,508.40	74,193,275.84	259,790,656.20
Cash Disbursements:						
COPS Principal/Loan Interest		11,871,806.15		5,495,000.00		17,366,806.15
COPS Principal/Loan Interest-Defeased Portion		7,030,350.00				7,030,350.00
Payment/Redemption 2012 B Bonds					73,436,070.94	73,436,070.94
Cost of Issuance/ Discounts/Premium Costs					747,586.80	747,586.80
Interfund Transfers	21,458,243.08	7,246,973.16	71,729,168.76	1,000,000.00		101,434,385.00
						0.00
Total Cash Disbursements	21,458,243.08	26,149,129.31	71,729,168.76	6,495,000.00	74,183,657.74	200,015,198.89
Cash and Cash Equivalents January 31, 2022	\$ 55,687,393.88	\$ 2,108,936.93	\$ -	\$ 1,969,508.40	\$ 9,618.10	\$ 59,775,457.31
Cash and Cash Equivalents Investments	\$ 55,687,393.88	\$ 2,108,936.93	\$ -	\$ 1,969,508.40	\$ 9,618.10	\$ 59,775,457.31
						\$ -

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF COMPARISON BETWEEN BUDGETED AND ACTUAL
REVENUES AND EXPENDITURES

Schedule 4

For the Fiscal Year Ended January 31, 2022

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	Variance Favorable / <u>(Unfavorable)</u>
<u>Appropriations:</u>				
Operating Appropriations:				
Personnel Services:				
Salaries and Wages:	<u>\$ 1,180,000.00</u>	<u>\$ 1,180,000.00</u>	<u>\$ 1,173,844.03</u>	<u>\$ 6,155.97</u>
Employee Benefits:				
Social Security	97,000.00	97,000.00	72,948.84	24,051.16
PERS/DCRP/OPEB Benefit	95,000.00	95,000.00	48,365.73	46,634.27
Unemployment				
Compensation Insurance	15,000.00	15,000.00	15,000.00	0.00
Workers' Compensation				
Insurance	9,500.00	9,500.00	2,419.00	7,081.00
Long Term Disability Insurance/ Group Term Life	29,000.00	29,000.00	18,132.74	10,867.26
Health Insurance	<u>290,000.00</u>	<u>290,000.00</u>	<u>199,433.98</u>	<u>90,566.02</u>
	<u>\$ 535,500.00</u>	<u>\$ 535,500.00</u>	<u>\$ 356,300.29</u>	<u>\$ 179,199.71</u>

See independent auditor's report and notes to the financial statements

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THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF COMPARISON BETWEEN BUDGETED AND ACTUAL
REVENUES AND EXPENDITURES

Schedule 4

For the Fiscal Year Ended January 31, 2022

	Adopted <u>Budget</u>	Amended <u>Budget</u>	Actual <u>Expenditures</u>	Variance Favorable / <u>(Unfavorable)</u>
<u>Appropriations:</u>				
Administrative Expenses:				
Consulting Services:				
Engineer	\$ 185,000.00	\$ 185,000.00	\$ 123,076.09	\$ 61,923.91
Legal Services	313,000.00	313,000.00	249,000.49	63,999.51
Legal Collections	120,000.00	120,000.00	96,277.50	23,722.50
Legal Advertising	14,000.00	14,000.00	6,490.18	7,509.82
Insurance	340,000.00	340,000.00	367,758.68	(27,758.68)
Current Year Audit	43,000.00	43,000.00	42,000.00	1,000.00
EMMA Filings	5,000.00	5,000.00	5,000.00	-
Trustee Expenses/Rating Agencies	320,000.00	320,000.00	156,400.00	163,600.00
Payroll Processing Fees	5,000.00	5,000.00	3,323.19	1,676.81
Office Supplies and Expenses	100,000.00	100,000.00	124,607.17	(24,607.17)
Education	5,000.00	5,000.00	2,966.72	2,033.28
IT Services	72,600.00	72,600.00	81,386.32	(8,786.32)
Tax Redemption Expense			11,006.39	(11,006.39)
COVID 19 Expenses			8,279.65	(8,279.65)
Postage	95,000.00	95,000.00	42,499.23	52,500.77
Office Equipment	20,000.00	20,000.00		20,000.00
Contracted Services:				
Accounting Services				0.00
Grant Management Services	120,000.00	120,000.00	76,491.77	43,508.23
Financial Advisor	135,000.00	135,000.00	128,886.58	6,113.42
Telephone / Communications	20,000.00	20,000.00	12,732.24	7,267.76
	<u>\$ 1,912,600.00</u>	<u>\$ 1,912,600.00</u>	<u>\$ 1,538,182.20</u>	<u>\$ 374,417.80</u>

See independent auditor's report and notes to the financial statements

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THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF COMPARISON BETWEEN BUDGETED AND ACTUAL
REVENUES AND EXPENDITURES

Schedule 4

For the Fiscal Year Ended January 31, 2022

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable / (Unfavorable)</u>
Appropriations:				
Operations and Maintenance				
Contracted Services:				
Utilities	\$ 2,080,000.00	\$ 2,080,000.00	\$ 1,651,817.53	\$ 428,182.47
Operating Permits	365,000.00	365,000.00	306,618.29	58,381.71
FOG and SWC Programs-Weehawken, Hoboken, WNY, Union City	1,600,000.00	1,600,000.00	800,000.00	800,000.00
FOG and SWC Programs-Jacobs	160,000.00	160,000.00	0.00	160,000.00
Adams Street Plant & River Road Plant	10,572,000.00	10,572,000.00	10,209,827.52	362,172.48
Pass-Through Costs Adams & River Road Plant	450,000.00	450,000.00	354,868.46	95,131.54
Corrective Maintenance	425,000.00	425,000.00	605,396.82	(180,396.82)
WWTP and Collection System Repairs	400,000.00	400,000.00	93,846.48	306,153.52
Ejector Pump Grant Program	100,000.00	100,000.00	0.00	100,000.00
Pump Stations & Pass-Through Costs- Port Imperial & H5	165,000.00	165,000.00	79,014.02	85,985.98
Jersey City Sewerage	2,715,000.00	2,715,000.00	2,861,755.00	(146,755.00)
North Bergen Sewerage Authority	615,000.00	615,000.00	437,049.12	177,950.88
Miscellaneous Repairs	800,000.00	800,000.00	752,168.49	47,831.51
Contingency	50,000.00	50,000.00		50,000.00
	<u>\$ 20,497,000.00</u>	<u>\$ 20,497,000.00</u>	<u>\$ 18,152,361.73</u>	<u>\$ 2,344,638.27</u>
Debt Service:				
2012 A (Tax Exempt) Principal	\$ 3,955,000.00	\$ 3,955,000.00	\$ 3,955,000.00	\$ -
2012 B (Taxable) Principal	540,000.00	540,000.00	540,000.00	-
2019 Principal	1,000,000.00	1,000,000.00	1,000,000.00	-
2012 A (Tax Exempt) Interest	256,167.00	256,167.00	256,166.67	0.33
2012 B (Taxable) Interest	7,112,876.00	7,112,876.00	5,184,165.43	1,928,710.57
2019 Interest	5,547,853.00	5,547,853.00	5,547,853.89	(0.89)
2021 Interest			813,000.01	(813,000.01)
NJEIT Principal	6,764,352.00	6,764,352.00	6,764,351.91	0.09
NJEIT Interest	625,366.00	625,366.00	646,070.15	(20,704.15)
Funding - Capital Projects	3,500,000.00	3,500,000.00	3,500,000.00	-
Surplus to Rate Stabilization	1,008,286.00	1,008,286.00	1,008,286.00	-
	<u>\$ 30,309,900.00</u>	<u>\$ 30,309,900.00</u>	<u>\$ 29,214,894.06</u>	<u>\$ 1,095,005.94</u>
Total Appropriations	<u>\$ 54,435,000.00</u>	<u>\$ 54,435,000.00</u>	<u>\$ 50,435,582.31</u>	<u>\$ 3,999,417.69</u>
Non Budget Expenses & GAAP Adjustments				
Depreciation Expense	\$ -	\$ -	\$ 7,733,284.51	\$ (7,733,284.51)
Amortization of Easement	-	-	12,666.67	(12,666.67)
Amortization of Bond Defeasance Cost & Premium	-	-	7,556,141.92	(7,556,141.92)
Debt Issuance Costs	-	-	596,595.63	(596,595.63)
Budgetary expenses (not GAAP)- Principal on Debt Service	-	-	(12,259,351.91)	12,259,351.91
Funding - Capital Projects & Surplus to Rate Stabilization	-	-	(4,508,286.00)	4,508,286.00
Total Expenses on GAAP Basis (a)	<u>\$ 54,435,000.00</u>	<u>\$ 54,435,000.00</u>	<u>\$ 49,566,633.13</u>	<u>\$ 4,868,366.87</u>

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
ANALYSIS OF ACCOUNTS RECEIVABLE - USER CHARGES
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 5

User Charges Receivable	\$ 9,732,609.44	
Interest and Penalties Receivable	1,624,265.76	
Reserve for Uncollected Accounts	<u>(2,400,000.00)</u>	
Balance January 31, 2021		\$ 8,956,875.20
Add: Billings		
User Charges	46,084,748.90	
Facilities Charges	6,499,112.96	
Interest & Penalties	1,566,574.09	
Other Fees-Misc. Income	<u>5,852.55</u>	
		<u>54,156,288.50</u>
		63,113,163.70
Deduct: Collections		
Collections	53,565,610.46	
Refunds	(9,408.69)	
Overpayments Applied	<u>600,148.99</u>	
		<u>54,156,350.76</u>
Balance January 31, 2022		<u>\$ 8,956,812.94</u>
 <u>Analysis of Balance</u>		
User Charges Receivable		\$ 9,981,416.88
Interest and Penalties Receivable		1,375,396.06
Reserve for Uncollected Accounts		<u>(2,400,000.00)</u>
		<u>\$ 8,956,812.94</u>

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
ANALYSIS OF PREPAID EXPENSES AND DEPOSITS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 6

Balance January 31, 2021		\$	1,199,022.12
Add:			
Prepaid Insurance	\$		301,053.24
Prepaid Plant Expenses (OMI)			850,818.96
Prepaid Administration			8,449.63
Prepaid Trustee Fees			70,950.00
			1,231,271.83
			2,430,293.95
Deduct:			
Applied to Operations			1,199,022.12
Balance January 31, 2022		\$	1,231,271.83

Analysis of Balance

Prepaid Insurance		\$	301,053.24
Prepaid Plant Expenses (OMI)			850,818.96
Prepaid Administration			8,449.63
Prepaid Trustee Fees			70,950.00
			1,231,271.83
		\$	1,231,271.83

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
ANALYSIS OF GROSS FIXED ASSETS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 7

Balance January 31, 2021		\$ 487,938,562.41
Add:		
Plants	\$ 5,993,723.78	
Sewer Lines Improvement	3,630,323.05	
Work Vehicles	416,331.25	
Construction Costs	23,098,643.84	
		33,139,021.92
		521,077,584.33
Deduct:		
Retirement- 1998 Vactor Truck	247,124.00	
Reallocated From Work in Progress	9,624,211.83	
		9,871,335.83
Balance January 31, 2022		\$ 511,206,248.50
Analysis of Balance of Fixed Assets:		
Land	58,534,862.59	
Easement-Land	950,000.00	
Plants	234,398,501.36	
Main and Lines	152,229,360.72	
Pump Stations	39,816,135.71	
Office Equipment	207,161.89	
Trucks and Vehicles	1,971,582.39	
Construction in Progress	23,098,643.84	
Total Gross Fixed Assets		\$ 511,206,248.50

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
ANALYSIS OF CURRENT ACCOUNTS PAYABLE & ACCRUED EXPENSES
FROM UNRESTRICTED ASSETS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 8

Balance January 31, 2021	\$	544,859.02
Add:		
Health Benefits	\$	8,786.51
DCRP		921.62
Advertising		1,054.32
Legal		8,250.00
Audit		42,000.00
Grant Management Services		9,570.00
Trustee		1,500.00
Office Administrative		13,972.56
Postage		328.77
IT Services		12,479.15
Financial Advisor		7,058.00
Consulting Engineer		8,475.13
Utilities		163,119.78
Pass-Through Costs Adams & River Road Plant		79,966.01
WWTP and Collection System Repairs		7,804.45
Miscellaneous Repairs- Union City		28,537.52
Miscellaneous Repairs- West New York		2,524.97
Miscellaneous Repairs- Weehawken		11,687.11
Due to West NY Parking Lot Project		110,000.00
Pension Payable		123,247.00
Payroll Accrued		8,196.26
		649,479.16
		1,194,338.18
Deduct:		
Payments / Adj. Payroll		
Payments - Operating		544,859.02
		544,859.02
Balance January 31, 2022	\$	649,479.16

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE # 6)
JANUARY 31, 2022

Schedule 9

<u>Description</u>	<u>Authenticated Date</u>	<u>Original Amount</u>	<u>Maturities</u>		
			<u>Rate</u>	<u>Date</u>	<u>Amount</u>
Series 2012A					
Tax Exempt Fixed Rate Gross Revenue Senior Lien Lease Certificates	05/24/2012	\$163,410,000			
			Tax Exempt Serial Certificates	5.00% 06/01/2022	\$ 3,805,000
					\$ 3,805,000
Series 2012 B					
Taxable Fixed Rate Gross Revenue Senior Lien Lease Certificates	05/24/2012	\$150,555,000	Taxable Serial Certificates	4.138% 06/01/2022	\$ 1,045,000.00
				5.246% 06/01/2023	2,240,000
				5.246% 06/01/2024	2,365,000
				5.246% 06/01/2025	2,490,000
				5.246% 06/01/2026	2,630,000
				5.246% 06/01/2027	2,775,000
				5.246% 06/01/2028	2,925,000
				5.246% 06/01/2029	3,080,000
				5.246% 06/01/2030	3,245,000
				5.246% 06/01/2031	3,425,000
				5.246% 06/01/2032	3,610,000
				5.396% 06/01/2033	3,810,000
				5.396% 06/01/2034	4,025,000
				5.396% 06/01/2035	4,250,000
				5.396% 06/01/2036	4,485,000
				5.396% 06/01/2037	4,735,000
				5.396% 06/01/2038	5,005,000
				5.396% 06/01/2039	5,285,000
				5.396% 06/01/2040	5,580,000
				5.396% 06/01/2041	5,890,000
				5.396% 06/01/2042	6,220,000
					\$ 79,115,000

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See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE # 6)
'JANUARY 31, 2022

Schedule 9

<u>Description</u>	<u>Authenticated Date</u>	<u>Original Amount</u>	<u>Maturities</u>		
			<u>Rate</u>	<u>Date</u>	<u>Amount</u>
Series 2019					
Taxable Fixed Rate	11/08/2019	\$160,625,000			
Gross Revenue Senior Lien Lease Certificates				06/01/2022	\$ 1,000,000.00
				06/01/2023	2,605,000
				06/01/2024	3,170,000
				06/01/2025	3,380,000
				06/01/2026	3,640,000
				06/01/2027	3,955,000
				06/01/2028	3,830,000
				06/01/2029	3,890,000
				06/01/2030	4,370,000
				06/01/2031	4,750,000
				06/01/2032	6,640,000
				06/01/2034	14,280,000
			Term Certificates	06/01/2039	40,515,000
				06/01/2044	62,600,000
					\$ 158,625,000
Series 2021					
Non-Taxable Fixed Rate	10/13/2021	\$54,200,000	5.000%	06/01/2022	\$ 50,000.00
Gross Revenue Senior Lien Lease Certificates			5.000%	06/01/2023	1,605,000
			5.000%	06/01/2024	1,690,000
			5.000%	06/01/2025	1,780,000
			5.000%	06/01/2026	1,865,000
			5.000%	06/01/2027	1,965,000
			5.000%	06/01/2028	2,065,000
			5.000%	06/01/2029	2,180,000
			5.000%	06/01/2030	2,290,000
			5.000%	06/01/2031	2,405,000
			5.000%	06/01/2032	2,530,000
			5.000%	06/01/2033	2,665,000
			5.000%	06/01/2034	2,800,000
			5.000%	06/01/2035	2,945,000
			5.000%	06/01/2036	3,100,000

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See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE # 6)
JANUARY 31, 2022

Schedule 9

<u>Description</u>	<u>Authenticated Date</u>	<u>Original Amount</u>	<u>Accreted Value at Maturity</u>	<u>Maturities</u>		
				<u>Assumed Rate</u>	<u>Date</u>	<u>Amount</u>
Series 2021 (continued)						
Non-Taxable Fixed Rate	10/13/2021	\$54,200,000		5.000%	06/01/2037	\$ 3,260,000
Gross Revenue Senior				5.000%	06/01/2038	3,425,000
Lien Lease Certificates				5.000%	06/01/2039	3,605,000
				5.000%	06/01/2040	3,790,000
				5.000%	06/01/2041	3,990,000
				5.000%	06/01/2042	4,195,000
						\$ 54,200,000
Total Revenue Senior Lien Lease Certificates						\$ 295,745,000.00
New Jersey Environmental Infrastructure						
Trust and Fund Loan (per attached schedule)						42,409,053.21
Unamortized Premium on Bonds						28,581,062.82
Unamortized Gains on Refundings						541,552.62
Less:						
Deferred Bond Defeasance Costs						(40,288,371.45)
						\$ 326,988,297.20
<u>Analysis</u>						
Current Portion			\$ 11,405,058.62			
Long Term Portion			315,583,238.58			
						\$ 326,988,297.20

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

Schedule 9

New Jersey Environmental Infrastructure Trust-2002

The Authority issued subordinated bonds of \$17,620,000.00 to the New Jersey Environmental Infrastructure Trust (the "Infrastructure Trust") and a \$16,201,400.00 subordinated bonds to the State of New Jersey pursuant to the Infrastructure Trust program. The bonds were issued to provide financing for the "Solids" and "Floatables" Removal Project. The bonds issued to the Infrastructure Trust bear interest at rates of 4.75% to 5.00%. The second bonds issued to the State are non-interest bearing.

The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) There was a loan refunding of \$1,160,000 during fiscal year 2019. As of January 31, 2022, the receivable balance was \$0 and the payable balance was \$1,996,933.82, respectively. The first three interest payments due 08/01/03, 2/1/04 and 8/1/04 were capitalized as part of fixed assets.

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

Maturities

Date	Principal	Interest	Fund Loan	Fund Loan
02/01/22		Prepaid	02/01/22	Prepaid
08/01/22	\$ 1,120,000.00	\$ 28,000.00	08/01/22	\$ 876,933.82
	\$ 1,120,000.00	\$ 28,000.00		\$ 876,933.82

Principal on Trust and Fund Loans \$ 1,996,933.82

See independent auditor's report and notes to the financial statements

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust - 2004

The Authority issued subordinated bonds of \$4,290,000.00 to the New Jersey Environmental Infrastructure Trust ("Infrastructure Trust") and \$11,645,148.00 subordinated bonds to the State of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the "Solids" and "Floatables" Removal Project. The bonds issued to the Infrastructure Trust bear interest at rates of 3.00% to 5.50%. The second bonds issued to the State are non-interest bearing.

The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) \$159,319.00 was de-obligated during fiscal year 2017. As January 31, 2022, the accounts receivable balance was 0, and the payable balance was \$80,000, respectively. Interest payments were capitalized as part of fixed assets in the amount of \$193,051.26.

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid		
8/1/2022	\$ 80,000.00	\$ 1,600.00		\$ -
	\$ 80,000.00	\$ 1,600.00		\$ -
Principal on Trust and Fund Loans			\$	80,000.00

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See independent auditor's report and notes to financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust - 2005

The Authority issued subordinated bonds of \$2,360,000.00 to the New Jersey Environmental Infrastructure Trust ("Infrastructure Trust") and \$6,038,809.00 subordinated bonds to the State of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the "Solids" and "Floatables" Removal Project. The bonds issued to the Infrastructure Trust bear interest at rates of 4.50% to 4.70%. The second bonds issued to the State are non-interest bearing.

The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) There was a loan refunding of \$256,131.97 during fiscal year 2021. As January 31, 2022, the receivable balance was \$0 and the payable balance was \$1,753,666.49, respectively. Interest payments were capitalized as part of fixed assets in the amount of \$105,772.50.

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 160,000.00	\$ 13,900.00	8/1/2022	\$ 304,043.90
2/1/2023		10,700.00	2/1/2023	21,685.69
8/1/2023	170,000.00	10,700.00	8/1/2023	314,910.46
2/1/2024		7,300.00	2/1/2024	14,794.91
8/1/2024	180,000.00	7,300.00	8/1/2024	325,268.20
2/1/2025		3,700.00	2/1/2025	7,498.79
8/1/2025	185,000.00	3,700.00	8/1/2025	70,464.54
	<u>\$ 695,000.00</u>	<u>\$ 57,300.00</u>		<u>\$ 1,058,666.49</u>

Principal on Trust and Fund Loans:

\$ 1,753,666.49

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See independent auditor's report and notes to financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust - 2006

The Authority issued subordinated bonds of \$2,515,000.00 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$6,744,477.00 subordinated bonds to the State of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the “Solids” and “Floatables” Removal Project. The bonds issued to the Infrastructure Trust bear interest at rates of 4.00% to 5.00%. The second bonds issued to the State are non-interest bearing.

The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) \$241,203.11 was de-obligated during fiscal year 2015. There was a loan refunding of \$ 26,690.55 during fiscal year 2019 and \$11,800.45 during fiscal year 2021. As January 31, 2022, the receivable balance was \$0 and the payable balance was \$2,548,630.36, respectively. Interest payments were capitalized as part of fixed assets in the amount of \$201,112.58.

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 146,697.80	\$ 14,134.22	8/1/2022	\$ 338,201.20
2/1/2023		11,200.32	2/1/2023	29,835.72
8/1/2023	150,949.24	11,200.37	8/1/2023	341,125.26
2/1/2024		8,181.44	2/1/2024	23,220.82
8/1/2024	141,509.00	8,181.50	8/1/2024	352,821.51
2/1/2025		6,811.72	2/1/2025	14,980.80
8/1/2025	168,267.01	6,811.72	8/1/2025	362,892.64
2/1/2026		3,446.37	2/1/2026	7,587.68
8/1/2026	172,318.40	3,446.37	8/1/2026	298,223.28
	<u>\$ 779,741.45</u>	<u>\$ 73,414.03</u>		<u>\$ 1,768,888.91</u>

Principal on Trust and Fund Loans:

\$ 2,548,630.36

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See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust – 2009

The Authority issued subordinated bonds of \$2,895,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$8,323,500 subordinated bonds to the State of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the “Solids” and “Floatables” Removal Project. The bonds issued to the Infrastructure Trust bear interest at rates of 3.40% to 5.00%. The second bonds issued to the State are non-interest bearing.

The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) There was a loan refunding of \$98,000 during fiscal year 2018. As January 31, 2022, the receivable balance was \$0 and the payable balance was \$4,839,580.53, respectively.

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 156,000.00	\$ 28,420.00	8/1/2022	\$ 297,267.85
2/1/2023		25,300.00	2/1/2023	148,633.92
8/1/2023	161,000.00	25,300.00	8/1/2023	297,267.85
2/1/2024		22,080.00	2/1/2024	148,633.92
8/1/2024	166,000.00	22,080.00	8/1/2024	297,267.85
2/1/2025		18,760.00	2/1/2025	148,633.92
8/1/2025	171,000.00	18,760.00	8/1/2025	297,267.85
2/1/2026		15,340.00	2/1/2026	148,633.92
8/1/2026	181,000.00	15,340.00	8/1/2026	297,267.85
2/1/2027		11,720.00	2/1/2027	148,633.92
8/1/2027	186,000.00	11,720.00	8/1/2027	297,267.85
2/1/2028		8,000.00	2/1/2028	148,633.92
8/1/2028	195,000.00	8,000.00	8/1/2028	297,267.85
2/1/2029		4,100.00	2/1/2029	148,633.92
8/1/2029	205,000.00	4,100.00	8/1/2029	297,268.14
	<u>\$ 1,421,000.00</u>	<u>\$ 239,020.00</u>		<u>\$ 3,418,580.53</u>

Principal on Trust and Fund Loans: | \$ 4,839,580.53

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See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust – 2010 (13A)

The Authority issued subordinated bonds of \$5,715,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$11,552,703 subordinated bonds to the State of New Jersey pursuant to the Infrastructure Trust Program-Winter Pool ARRA Loans. The bonds were issued to provide financing for the “Construction of a H1Solids/Floatables Screening and Wet Weather Pump Station.” The bonds issued to the Infrastructure Trust bear interest at rates of 3.50% to 5.00%. The second bonds issued to the State are non-interest bearing.

The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) \$769,482.00, and \$475,000 was de-obligated during fiscal year 2015 and 2016, respectively. There was a loan refunding of \$ 183,000 during fiscal year 2018. As January 31, 2022, the receivable balance was \$0 and the payable balance was \$6,609,113.86, respectively.

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 317,000.00	\$ 49,160.00	8/1/2022	\$ 427,877.88
2/1/2023		42,820.00	2/1/2023	213,938.94
8/1/2023	327,000.00	42,820.00	8/1/2023	427,877.88
2/1/2024		36,280.00	2/1/2024	213,938.94
8/1/2024	341,000.00	36,280.00	8/1/2024	427,877.88
2/1/2025		29,460.00	2/1/2025	213,938.94
8/1/2025	355,000.00	29,460.00	8/1/2025	427,877.88
2/1/2026		22,360.00	2/1/2026	213,938.94
8/1/2026	370,000.00	22,360.00	8/1/2026	427,877.88
2/1/2027		14,960.00	2/1/2027	213,938.94
8/1/2027	386,000.00	14,960.00	8/1/2027	427,877.88
2/1/2028		7,240.00	2/1/2028	213,938.94
8/1/2028	362,000.00	7,240.00	8/1/2028	300,212.94
	<u>\$ 2,458,000.00</u>	<u>\$ 355,400.00</u>		<u>\$ 4,151,113.86</u>

Principal on Trust and Fund Loans: \$ 6,609,113.86

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See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust – 2010 (13B)

The Authority issued subordinated bonds of \$1,555,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$4,494,913 subordinated bonds to the State of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the 18th Street Pumping Station Force Main and Outfall Project. The bonds issued to the Infrastructure Trust bear interest at rates of 3.50% to 5.00%. The second bonds issued to the State are non-interest bearing.

The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) \$1,259,772.00, and \$385,000 was de-obligated during fiscal year 2015 and 2016, respectively. There was a loan refunding of \$33,000 during fiscal year 2018. As January 31, 2022, the receivable balance was \$0 and the payable balance was \$1,076,728.18, respectively.

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 86,000.00	\$ 8,440.00	8/1/2022	\$ 166,478.25
2/1/2023		6,720.00	2/1/2023	83,239.12
8/1/2023	90,000.00	6,720.00	8/1/2023	166,478.25
2/1/2024		4,920.00	2/1/2024	83,239.12
8/1/2024	95,000.00	4,920.00	8/1/2024	155,293.44
2/1/2025		3,020.00	2/1/2025	
8/1/2025	95,000.00	3,020.00	8/1/2025	
2/1/2026		1,120.00	2/1/2026	
8/1/2026	56,000.00	1,120.00	8/1/2026	
	<u>\$ 422,000.00</u>	<u>\$ 40,000.00</u>		<u>\$ 654,728.18</u>

Principal on Trust and Fund Loans: \$ 1,076,728.18

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See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2010 (14,15,16)

The Authority issued subordinated bonds of \$2,900,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$1,506,332 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the rehabilitation of various collection system manholes and sewer piping in WNY, replacement of piping supports within the existing Purac Building at the Adams St. WWTP, & River Road WWTP Trickleing Filter Upgrade.

The bonds issued to the Infrastructure Trust bear interest at rates of 3.40% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) \$286,991.00 and \$566,336 was de-obligated during fiscal year 2015 and 2017, respectively. As January 31, 2022, the receivable balance was \$0 and the payable balance was \$1,625,771.93 respectively.

Trust Loan Agreement			Fund Loan	
Date	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 108,000.00	\$ 28,202.50	8/1/2022	\$ 52,853.75
2/1/2023		25,502.50	2/1/2023	26,426.87
8/1/2023	112,000.00	25,502.50	8/1/2023	52,853.75
2/1/2024		22,702.50	2/1/2024	26,426.87
8/1/2024	119,000.00	22,702.50	8/1/2024	52,853.75
2/1/2025		19,727.50	2/1/2025	26,426.87
8/1/2025	126,000.00	19,727.50	8/1/2025	52,853.75
2/1/2026		16,577.50	2/1/2026	26,426.87
8/1/2026	133,000.00	16,577.50	8/1/2026	52,853.75
2/1/2027		13,252.50	2/1/2027	26,426.87
8/1/2027	140,000.00	13,252.50	8/1/2027	42,368.83
2/1/2028		10,102.50	2/1/2028	
8/1/2028	142,000.00	10,102.50	8/1/2028	
2/1/2029		6,907.50	2/1/2029	
8/1/2029	149,000.00	6,907.50	2/1/2030	
2/1/2029		3,555.00		
8/1/2029	158,000.00	3,555.00		
	\$ 1,187,000.00	\$ 264,857.50		\$ 438,771.93

Principal on Trust and Fund Loans: \$ 1,625,771.93

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See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
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JANUARY 31, 2022
New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2012

The Authority issued subordinated bonds of \$835,000.00 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$913,400.00 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the replacing of equipment at two, Adams Street and River Road, wastewater treatment plants (WWTPs) and site repairs, Phase I, at Adams Street WWTP.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. There was a loan refunding of \$26,319 during fiscal year 2021. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) As January 31, 2022, the receivable balance was \$0 and the payable balance was \$952,640.40, respectively.

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Pre paid	2/1/2022	Pre paid
8/1/2022	\$ 44,243.00	\$ 8,713.39	8/1/2022	\$ 30,962.71
2/1/2023		7,828.53	2/1/2023	15,481.35
8/1/2023	43,912.00	7,828.53	8/1/2023	30,962.71
2/1/2024		6,950.29	2/1/2024	15,481.35
8/1/2024	48,237.00	6,950.29	8/1/2024	30,962.71
2/1/2025		5,985.55	2/1/2025	15,481.35
8/1/2025	47,832.00	5,985.55	8/1/2025	30,962.71
2/1/2026		5,028.91	2/1/2026	15,481.35
8/1/2026	47,411.00	5,028.91	8/1/2026	30,962.71
2/1/2027		4,080.69	2/1/2027	15,481.35
8/1/2027	51,641.00	4,080.69	8/1/2027	30,962.71
2/1/2028		3,306.08	2/1/2028	15,481.35
8/1/2028	51,650.00	3,306.08	8/1/2028	30,962.71
2/1/2029		2,531.33	2/1/2029	15,481.35
8/1/2029	56,327.00	2,531.33	8/1/2029	30,962.71
2/1/2030		1,686.42	2/1/2030	15,481.35
8/1/2030	56,266.00	1,686.42	8/1/2030	30,962.71
2/1/2031		842.43	2/1/2031	15,481.35
8/1/2031	56,162.00	842.43	8/1/2031	30,962.86
	<u>\$ 503,681.00</u>	<u>\$ 85,193.85</u>		<u>\$ 448,959.40</u>

Principal on Trust and Fund Loans: \$ 952,640.40

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NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022
New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2013 (12-1)

The Authority issued subordinated bonds of \$910,000.00 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$2,814,289.00 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the replacing of equipment at two, Adams Street and River Road, wastewater treatment plants (WWTPs) and site repairs, Phase I, at Adams Street WWTP.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) \$1,498,000 has been de-obligated during fiscal year 2016. As January 31, 2022, the receivable balance was \$0 and the payable balance was \$680,980.75, respectively.

Trust Loan Agreement			Fund Loan	
Date	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 45,000.00	\$ 4,850.00	8/1/2022	\$ 98,746.98
2/1/2023		3,950.00	2/1/2023	49,373.49
8/1/2023	45,000.00	3,950.00	8/1/2023	98,746.98
2/1/2024		2,825.00	2/1/2024	49,373.49
8/1/2024	50,000.00	2,825.00	8/1/2024	98,746.98
2/1/2025		1,575.00	2/1/2025	40,992.83
8/1/2025	50,000.00	1,575.00		
2/1/2026		825.00		
8/1/2026	55,000.00	825.00		
	<u>\$ 245,000.00</u>	<u>\$ 23,200.00</u>		<u>\$ 435,980.75</u>

Principal on Trust and Fund Loans: \$ 680,980.75

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NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022
New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2015 (20)

The Authority issued subordinated bonds of \$1,105,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$3,325,000 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the replacing of the electrical switchgear (includes electrical feeder, and emergency generator’s automatic transfer switch) at two separate locations: The River Road and Adams Street Wastewater Treatment Plants. The project also consists of instrumental and control upgrades to the PURAC system at the Adams Street Wastewater Treatment Plant.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) As January 31, 2022, the receivable balance was \$0 and the payable balance was \$3,269,320.80, respectively.

Trust Loan Agreement			Fund Loan	
Date	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 50,000.00	\$ 19,100.00	8/1/2022	\$ 125,490.56
2/1/2023		17,850.00	2/1/2023	62,745.28
8/1/2023	55,000.00	17,850.00	8/1/2023	125,490.56
2/1/2024		16,475.00	2/1/2024	62,745.28
8/1/2024	55,000.00	16,475.00	8/1/2024	125,490.56
2/1/2025		15,100.00	2/1/2025	62,745.28
8/1/2025	60,000.00	15,100.00	8/1/2025	125,490.56
2/1/2026		13,600.00	2/1/2026	62,745.28
8/1/2026	60,000.00	13,600.00	8/1/2026	125,490.56
2/1/2027		12,100.00	2/1/2027	62,745.28
8/1/2027	65,000.00	12,100.00	8/1/2027	125,490.56
2/1/2028		10,800.00	2/1/2028	62,745.28
8/1/2028	70,000.00	10,800.00	8/1/2028	125,490.56
2/1/2029		9,400.00	2/1/2029	62,745.28
8/1/2029	70,000.00	9,400.00	8/1/2029	125,490.56
2/1/2030		8,000.00	2/1/2030	62,745.28
8/1/2030	75,000.00	8,000.00	8/1/2030	125,490.56
2/1/2031		6,500.00	2/1/2031	62,745.28
8/1/2031	75,000.00	6,500.00	8/1/2031	125,490.56
2/1/2032		5,000.00	2/1/2032	62,745.28
8/1/2032	80,000.00	5,000.00	8/1/2032	125,490.56
2/1/2033		3,400.00	2/1/2033	62,745.28
8/1/2033	85,000.00	3,400.00	8/1/2033	125,490.56
2/1/2034		1,700.00	2/1/2034	62,745.28
8/1/2034	85,000.00	1,700.00	8/1/2034	125,490.72
	\$ 885,000.00	\$ 258,950.00		\$ 2,384,320.80

Principal on Trust and Fund Loans: \$ 3,269,320.80

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NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022
New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2016(19):

The Authority issued subordinated bonds of \$1,041,599 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$3,124,796 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for the repair/upgrades of ten combined sewer regulators in Weehawken, Hoboken, and West New York municipalities. The project also includes siphon improvements to isolate, dewater, clean, and line the 12-inch barrel along Park Ave.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) \$817,000.00 was approved as principal forgiveness and de-obligated during fiscal year 2017. There was a premium allotted with permanent financing of loan during fiscal year 2018 in the amount of \$133,605. As of January 31, 2022, the receivable balance was \$0 and the payable balance was \$2,685,796.70, respectively.

Trust Loan Agreement			Fund Loan	
Date	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 45,000.00	\$ 18,975.00	8/1/2022	\$ 81,627.11
2/1/2023		17,850.00	2/1/2023	40,813.55
8/1/2023	45,000.00	17,850.00	8/1/2023	81,627.11
2/1/2024		16,725.00	2/1/2024	40,813.55
8/1/2024	45,000.00	16,725.00	8/1/2024	81,627.11
2/1/2025		15,600.00	2/1/2025	40,813.55
8/1/2025	50,000.00	15,600.00	8/1/2025	81,627.11
2/1/2026		14,350.00	2/1/2026	40,813.55
8/1/2026	50,000.00	14,350.00	8/1/2026	81,627.11
2/1/2027		13,100.00	2/1/2027	40,813.55
8/1/2027	55,000.00	13,100.00	8/1/2027	81,627.11
2/1/2028		12,000.00	2/1/2028	40,813.55
8/1/2028	55,000.00	12,000.00	8/1/2028	81,627.11
2/1/2029		10,900.00	2/1/2029	40,813.55
8/1/2029	60,000.00	10,900.00	8/1/2029	81,627.11
2/1/2030		9,700.00	2/1/2030	40,813.55
8/1/2030	60,000.00	9,700.00	8/1/2030	81,627.11
2/1/2031		8,500.00	2/1/2031	40,813.55
8/1/2031	65,000.00	8,500.00	8/1/2031	81,627.11
2/1/2032		7,200.00	2/1/2032	40,813.55
8/1/2032	65,000.00	7,200.00	8/1/2032	81,627.11
2/1/2033		5,900.00	2/1/2033	40,813.55
8/1/2033	70,000.00	5,900.00	8/1/2033	81,627.11
2/1/2034		4,500.00	2/1/2034	40,813.55
8/1/2034	70,000.00	4,500.00	8/1/2034	81,627.11
2/1/2035		3,100.00	2/1/2035	40,813.55
8/1/2035	75,000.00	3,100.00	8/1/2035	81,627.11
2/1/2036		1,600.00	2/1/2036	40,813.55
8/1/2036	80,000.00	1,600.00	8/1/2036	81,627.46
	\$ 890,000.00	\$ 301,025.00		\$ 1,795,796.70

Principal on Trust and Fund Loans: \$ 2,685,796.70

“continued on next page.”

See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022

New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2016(26)

The Authority issued subordinated bonds of \$200,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$624,610 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for River Road WWTP improvements which consist of replacement of two existing micro-strainers, grating and steel plates, and, four existing 2,500-gallon hypochlorite tanks and the associated improvements in the chlorination building.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) There was a premium allotted with permanent financing of loan during fiscal year 2018 in the amount of \$8,203. As of January 31, 2022, the receivable balance was \$0 and the payable balance was \$635,810.85, respectively.

Date	Trust Loan Agreement		Fund Loan	
	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 10,000.00	\$ 3,650.00	8/1/2022	\$ 21,173.22
2/1/2023		3,400.00	2/1/2023	10,586.61
8/1/2023	10,000.00	3,400.00	8/1/2023	21,173.22
2/1/2024		3,150.00	2/1/2024	10,586.61
8/1/2024	10,000.00	3,150.00	8/1/2024	21,173.22
2/1/2025		2,900.00	2/1/2025	10,586.61
8/1/2025	10,000.00	2,900.00	8/1/2025	21,173.22
2/1/2026		2,650.00	2/1/2026	10,586.61
8/1/2026	10,000.00	2,650.00	8/1/2026	21,173.22
2/1/2027		2,400.00	2/1/2027	10,586.61
8/1/2027	10,000.00	2,400.00	8/1/2027	21,173.22
2/1/2028		2,200.00	2/1/2028	10,586.61
8/1/2028	10,000.00	2,200.00	8/1/2028	21,173.22
2/1/2029		2,000.00	2/1/2029	10,586.61
8/1/2029	10,000.00	2,000.00	8/1/2029	21,173.22
2/1/2030		1,800.00	2/1/2030	10,586.61
8/1/2030	10,000.00	1,800.00	8/1/2030	21,173.22
2/1/2031		1,600.00	2/1/2031	10,586.61
8/1/2031	10,000.00	1,600.00	8/1/2031	21,173.22
2/1/2032		1,400.00	2/1/2032	10,586.61
8/1/2032	15,000.00	1,400.00	8/1/2032	21,173.22
2/1/2033		1,100.00	2/1/2033	10,586.61
8/1/2033	15,000.00	1,100.00	8/1/2033	21,173.22
2/1/2034		800.00	2/1/2034	10,586.61
8/1/2034	15,000.00	800.00	8/1/2034	21,173.22
2/1/2035		500.00	2/1/2035	10,586.61
8/1/2035	15,000.00	500.00	8/1/2035	21,173.22
2/1/2036		200.00	2/1/2036	10,586.61
8/1/2036	10,000.00	200.00	8/1/2036	21,173.23
	\$ 170,000.00	\$ 55,850.00		\$ 465,810.85

Principal on Trust and Fund Loans: \$ 635,810.85

“continued on next page.”

See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022
New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2018 (28)

The Authority issued subordinated bonds of \$300,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$891,089 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide for collection system improvements.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) As of January 31, 2022, the receivable balance was \$0 and the payable balance was \$1,090,978.90, respectively.

Trust Loan Agreement			Fund Loan	
Date	Principal	Interest	Date	Semiannual Principal
		Prepaid		Prepaid
2/1/2022			2/1/2022	
8/1/2022	\$ 5,000.00	\$ 5,975.00	8/1/2022	\$ 20,024.47
2/1/2023		5,850.00	2/1/2023	10,012.23
8/1/2023	5,000.00	5,850.00	8/1/2023	20,024.47
2/1/2024		5,725.00	2/1/2024	10,012.23
8/1/2024	5,000.00	5,725.00	8/1/2024	20,024.47
2/1/2025		5,600.00	2/1/2025	10,012.23
8/1/2025	5,000.00	5,600.00	8/1/2025	20,024.47
2/1/2026		5,475.00	2/1/2026	10,012.23
8/1/2026	5,000.00	5,475.00	8/1/2026	20,024.47
2/1/2027		5,350.00	2/1/2027	10,012.23
8/1/2027	10,000.00	5,350.00	8/1/2027	20,024.47
2/1/2028		5,100.00	2/1/2028	10,012.23
8/1/2028	10,000.00	5,100.00	8/1/2028	20,024.47
2/1/2029		4,900.00	2/1/2029	10,012.23
8/1/2029	10,000.00	4,900.00	8/1/2029	20,024.47
2/1/2030		4,700.00	2/1/2030	10,012.23
8/1/2030	10,000.00	4,700.00	8/1/2030	20,024.47
2/1/2031		4,500.00	2/1/2031	10,012.23
8/1/2031	10,000.00	4,500.00	8/1/2031	20,024.47
2/1/2032		4,300.00	2/1/2032	10,012.23
8/1/2032	10,000.00	4,300.00	8/1/2032	20,024.47
2/1/2033		4,100.00	2/1/2033	10,012.23
8/1/2033	10,000.00	4,100.00	8/1/2033	20,024.47
2/1/2034		3,900.00	2/1/2034	10,012.23
8/1/2034	10,000.00	3,900.00	8/1/2034	20,024.47
2/1/2035		3,700.00	2/1/2035	10,012.23
8/1/2035	10,000.00	3,700.00	8/1/2035	20,024.47
2/1/2036		3,500.00	2/1/2036	10,012.23
8/1/2036	10,000.00	3,500.00	8/1/2036	20,024.47
2/1/2037		3,300.00	2/1/2037	10,012.23
8/1/2037	10,000.00	3,300.00	8/1/2037	20,024.47
2/1/2038		3,100.00	2/1/2038	10,012.23
8/1/2038	10,000.00	3,100.00	8/1/2038	20,024.47
2/1/2039		2,900.00	2/1/2039	10,012.23
8/1/2039	10,000.00	2,900.00	8/1/2039	20,024.47
2/1/2040		2,700.00	2/1/2040	10,012.23
8/1/2040	15,000.00	2,700.00	8/1/2040	20,024.47
2/1/2041		2,400.00	2/1/2041	10,012.23
8/1/2041	15,000.00	2,400.00	8/1/2041	20,024.47
2/1/2042		2,100.00	2/1/2042	10,012.23
8/1/2042	15,000.00	2,100.00	8/1/2042	20,024.47
2/1/2043		1,800.00	2/1/2043	10,012.23
8/1/2043	15,000.00	1,800.00	8/1/2043	20,024.47
2/1/2044		1,500.00	2/1/2044	10,012.23
8/1/2044	15,000.00	1,500.00	8/1/2044	20,024.47
2/1/2045		1,200.00	2/1/2045	10,012.23
8/1/2045	15,000.00	1,200.00	8/1/2045	20,024.47
2/1/2046		900.00	2/1/2046	10,012.23
8/1/2046	15,000.00	900.00	8/1/2046	20,024.47
2/1/2047		600.00	2/1/2047	10,012.23
8/1/2047	15,000.00	600.00	8/1/2047	20,024.47
2/1/2048		300.00	2/1/2048	10,012.23
8/1/2048	15,000.00	300.00	8/1/2048	20,024.70
2/1/2049				
8/1/2049				
	\$ 290,000.00	\$ 184,975.00		\$ 800,978.90

Principal on Trust and Fund Loans: \$ 1,090,978.90

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See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022
New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2020-22

The Authority issued subordinated bonds of \$2,515,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$8,602,444 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. There was a principal forgiveness in the amount of \$5,000,000 upon issuance of the bonds. The bonds were issued to provide financing for collection system improvements for W1234 Platform.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) As of January 31, 2022, the receivable balance was \$0 and the payable balance was \$10,487,503.98, respectively.

Trust Loan Agreement			Fund Loan	
Date	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 50,000.00	\$ 40,606.25	8/1/2022	\$ 193,313.34
2/1/2023		39,356.25	2/1/2023	96,656.67
8/1/2023	55,000.00	39,356.25	8/1/2023	193,313.34
2/1/2024		37,981.25	2/1/2024	96,656.67
8/1/2024	55,000.00	37,981.25	8/1/2024	193,313.34
2/1/2025		36,606.25	2/1/2025	96,656.67
8/1/2025	60,000.00	36,606.25	8/1/2025	193,313.34
2/1/2026		35,106.25	2/1/2026	96,656.67
8/1/2026	60,000.00	35,106.25	8/1/2026	193,313.34
2/1/2027		33,606.25	2/1/2027	96,656.67
8/1/2027	65,000.00	33,606.25	8/1/2027	193,313.34
2/1/2028		31,981.25	2/1/2028	96,656.67
8/1/2028	65,000.00	31,981.25	8/1/2028	193,313.34
2/1/2029		30,356.25	2/1/2029	96,656.67
8/1/2029	70,000.00	30,356.25	8/1/2029	193,313.34
2/1/2030		28,606.25	2/1/2030	96,656.67
8/1/2030	75,000.00	28,606.25	8/1/2030	193,313.34
2/1/2031		26,731.25	2/1/2031	96,656.67
8/1/2031	80,000.00	26,731.25	8/1/2031	193,313.34
2/1/2032		25,131.25	2/1/2032	96,656.67
8/1/2032	80,000.00	25,131.25	8/1/2032	193,313.34
2/1/2033		24,281.25	2/1/2033	96,656.67
8/1/2033	85,000.00	24,281.25	8/1/2033	193,313.34
2/1/2034		23,325.00	2/1/2034	96,656.67
8/1/2034	85,000.00	23,325.00	8/1/2034	193,313.34
2/1/2035		22,315.63	2/1/2035	96,656.67
8/1/2035	85,000.00	22,315.63	8/1/2035	193,313.34
2/1/2036		21,306.25	2/1/2036	96,656.67
8/1/2036	90,000.00	21,306.25	8/1/2036	193,313.34
2/1/2037		20,181.25	2/1/2037	96,656.67
8/1/2037	90,000.00	20,181.25	8/1/2037	193,313.34
2/1/2038		19,056.25	2/1/2038	96,656.67
8/1/2038	95,000.00	9,056.25	8/1/2038	193,313.34
2/1/2039		17,809.38	2/1/2039	96,656.67
8/1/2039	95,000.00	17,809.38	8/1/2039	193,313.34
2/1/2040		16,562.50	2/1/2040	96,656.67
8/1/2040	100,000.00	16,562.50	8/1/2040	193,313.34
2/1/2041		15,250.00	2/1/2041	96,656.67
8/1/2041	100,000.00	15,250.00	8/1/2041	193,313.34
2/1/2042		13,875.00	2/1/2042	96,656.67
8/1/2042	105,000.00	13,875.00	8/1/2042	193,313.34
2/1/2043		12,300.00	2/1/2043	96,656.67
8/1/2043	105,000.00	12,300.00	8/1/2043	193,313.34
2/1/2044		10,725.00	2/1/2044	96,656.67
8/1/2044	110,000.00	10,725.00	8/1/2044	193,313.34
2/1/2045		9,075.00	2/1/2045	96,656.67
8/1/2045	115,000.00	9,075.00	8/1/2045	193,313.34
2/1/2046		7,350.00	2/1/2046	96,656.67
8/1/2046	115,000.00	7,350.00	8/1/2046	193,313.34
2/1/2047		5,625.00	2/1/2047	96,656.67
8/1/2047	120,000.00	5,625.00	8/1/2047	193,313.34
2/1/2048		3,825.00	2/1/2048	96,656.67
8/1/2048	125,000.00	3,825.00	8/1/2048	193,313.34
2/1/2049		1,950.00	2/1/2049	96,656.67
8/1/2049	130,000.00	1,950.00	8/1/2049	193,313.71
	\$ 2,465,000.00	\$ 1,181,156.27		\$ 8,022,503.98

Principal on Trust and Fund Loans: \$ 10,487,503.98

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See independent auditor’s report and notes to the financial statements.

NORTH HUDSON SEWERAGE AUTHORITY
SUPPORTING SCHEDULE OF LONG-TERM DEBT
(AS DESCRIBED IN NOTE #6)
JANUARY 31, 2022
New Jersey Environmental Infrastructure Trust
Total Trust and Fund Loan Net Debt Service

New Jersey Environmental Infrastructure Trust –2020(23)

The Authority issued subordinated bonds of \$545,000 to the New Jersey Environmental Infrastructure Trust (“Infrastructure Trust”) and \$1,651,964 subordinated bonds to the of New Jersey pursuant to the Infrastructure Trust Program. The bonds were issued to provide financing for collection system improvements for PURAC Phase 2 and Grit Classifier.

The bonds issued to the Infrastructure Trust bear interest at rates of 2.00% to 5.00%. The second bonds issued to the State are non-interest bearing. The loan has been recorded on the balance sheet of the Authority as an account receivable (due from the Infrastructure Trust) with a corresponding account payable (Infrastructure Trust loan payable.) As of January 31, 2022, the receivable balance was \$0 and the payable balance was \$2,075,595.66, respectively.

Trust Loan Agreement			Fund Loan	
Date	Principal	Interest	Date	Semiannual Principal
2/1/2022		Prepaid	2/1/2022	Prepaid
8/1/2022	\$ 10,000.00	\$ 8,775.00	8/1/2022	\$ 37,122.78
2/1/2023		8,525.00	2/1/2023	18,561.39
8/1/2023	10,000.00	8,525.00	8/1/2023	37,122.78
2/1/2024		8,275.00	2/1/2024	18,561.39
8/1/2024	10,000.00	8,275.00	8/1/2024	37,122.78
2/1/2025		8,025.00	2/1/2025	18,561.39
8/1/2025	15,000.00	8,025.00	8/1/2025	37,122.78
2/1/2026		7,650.00	2/1/2026	18,561.39
8/1/2026	15,000.00	7,650.00	8/1/2026	37,122.78
2/1/2027		7,275.00	2/1/2027	18,561.39
8/1/2027	15,000.00	7,275.00	8/1/2027	37,122.78
2/1/2028		6,900.00	2/1/2028	18,561.39
8/1/2028	15,000.00	6,900.00	8/1/2028	37,122.78
2/1/2029		6,525.00	2/1/2029	18,561.39
8/1/2029	15,000.00	6,525.00	8/1/2029	37,122.78
2/1/2030		6,150.00	2/1/2030	18,561.39
8/1/2030	15,000.00	6,150.00	8/1/2030	37,122.78
2/1/2031		5,775.00	2/1/2031	18,561.39
8/1/2031	15,000.00	5,775.00	8/1/2031	37,122.78
2/1/2032		5,475.00	2/1/2032	18,561.39
8/1/2032	20,000.00	5,475.00	8/1/2032	37,122.78
2/1/2033		5,262.50	2/1/2033	18,561.39
8/1/2033	20,000.00	5,262.50	8/1/2033	37,122.78
2/1/2034		5,037.50	2/1/2034	18,561.39
8/1/2034	20,000.00	5,037.50	8/1/2034	37,122.78
2/1/2035		4,800.00	2/1/2035	18,561.39
8/1/2035	20,000.00	4,800.00	8/1/2035	37,122.78
2/1/2036		4,562.50	2/1/2036	18,561.39
8/1/2036	20,000.00	4,562.50	8/1/2036	37,122.78
2/1/2037		4,312.50	2/1/2037	18,561.39
8/1/2037	20,000.00	4,312.50	8/1/2037	37,122.78
2/1/2038		4,062.50	2/1/2038	18,561.39
8/1/2038	20,000.00	4,062.50	8/1/2038	37,122.78
2/1/2039		3,800.00	2/1/2039	18,561.39
8/1/2039	20,000.00	3,800.00	8/1/2039	37,122.78
2/1/2040		3,537.50	2/1/2040	18,561.39
8/1/2040	20,000.00	3,537.50	8/1/2040	37,122.78
2/1/2041		3,275.00	2/1/2041	18,561.39
8/1/2041	20,000.00	3,275.00	8/1/2041	37,122.78
2/1/2042		3,000.00	2/1/2042	18,561.39
8/1/2042	20,000.00	3,000.00	8/1/2042	37,122.78
2/1/2043		2,700.00	2/1/2043	18,561.39
8/1/2043	25,000.00	2,700.00	8/1/2043	37,122.78
2/1/2044		2,325.00	2/1/2044	18,561.39
8/1/2044	25,000.00	2,325.00	8/1/2044	37,122.78
2/1/2045		1,950.00	2/1/2045	18,561.39
8/1/2045	25,000.00	1,950.00	8/1/2045	37,122.78
2/1/2046		1,575.00	2/1/2046	18,561.39
8/1/2046	25,000.00	1,575.00	8/1/2046	37,122.78
2/1/2047		1,200.00	2/1/2047	18,561.39
8/1/2047	25,000.00	1,200.00	8/1/2047	37,122.78
2/1/2048		825.00	2/1/2048	18,561.39
8/1/2048	25,000.00	825.00	8/1/2048	37,122.78
2/1/2049		450.00	2/1/2049	18,561.39
8/1/2049	30,000.00	450.00	8/1/2049	37,123.07
	\$ 535,000.00	\$ 255,275.00		\$ 1,540,595.66
Principal on Trust and Fund Loans:		\$ 2,075,595.66		

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF DEFERRED OUTFLOWS OF RESOURCES
LOSS ON DEFEASANCE/ PREMIUM
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 10

		<u>Total Deferred Costs</u>	<u>Accumulated Amortization: Through Jan. 31, 2021</u>	<u>Balance Jan. 31, 2021</u>	<u>Gain on NJEIT Loan Refunding/ Loss on Defeasance 2012 Lease Participation Certificates</u>	<u>* Amortization Fiscal Year Ended Jan. 31, 2022 Unrestricted</u>	<u>Balance Jan. 31, 2022</u>
Unamortized:	Date:						
2012 Lease Participation Certificates- Loss on Defeasance Refunding	05/31/12	\$ 81,484,818.14	\$ 64,200,159.75	\$ 17,284,658.39	\$ -	\$ 7,407,710.74	\$ 9,876,947.65
2012 Lease Participation Certificates- Loss on Defeasance	08/05/16 & 08/10/18	4,707,107.80	1,880,586.98	2,826,520.82	-	448,939.12	2,377,581.70
2012 Lease Participation Certificates- Loss on Defeasance Refunding	11/22/19	9,349,451.18	560,967.07	8,788,484.11		373,978.05	8,414,506.06
2012 Lease Participation Certificates- Loss on Defeasance Refunding	10/31/21	19,694,257.99	0.00	0.00	19,694,257.99	492,356.45	19,201,901.54
2019 & 2021 Lease Participation Certificates- Prepaid Bond Insurance	11/22/19 & 10/31/21	451,233.51	18,014.54	282,227.80	150,991.17	15,784.47	417,434.50
Unamortized Premium 2012 Lease Participation Certificates	05/31/12	(13,770,101.10)	(3,729,402.39)	(10,040,698.72)	-	(430,315.66)	(9,610,383.06)
Unamortized Premium 2021 Lease Participation Certificates	10/31/21	(19,457,107.45)			(19,457,107.45)	(486,427.69)	(18,970,679.76)
Gain on NJEIT Loan Refundings	03/10/17 & 01/31/19	(1,500,690.55)	(693,254.36)	(807,436.18)	-	*(265,883.56)	(541,552.62)
		<u>\$ 80,958,969.52</u>	<u>\$ 62,237,071.59</u>	<u>\$ 18,333,756.22</u>	<u>\$ 388,141.71</u>	<u>\$ 7,556,141.92</u>	<u>\$ 11,165,756.01</u>
		<u>Defeasance Costs</u>	<u>Premiums</u>	<u>Gains</u>			
2012 Lease Participation Certificates- Refunding		\$ 37,493,355.25	\$ (28,581,062.82)	-			
2012 Lease Participation Certificates- Loss on Defeasance		2,377,581.70	-	-			
2012 & 2021 Lease Participation Certificates- Prepaid Bond Insurance		417,434.50	-	-			
Gain NJEIT Loan Refundings		-	-	(541,552.62)			
		<u>\$ 40,288,371.45</u>	<u>\$ (28,581,062.82)</u>	<u>\$ (541,552.62)</u>			

* Note 6

See independent auditor's report and notes to the financial statements

**NORTH HUDSON SEWERAGE AUTHORITY
LAST TEN FISCAL YEARS ENDED JUNE 30,**

Schedule 11

Public Employees' Retirement System (PERS)

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Authority's proportionate of the net pension liability (asset)	0.01052%	0.00832%	0.00772%	0.00703%	0.00642%	0.00630%	0.00612%	0.00361%	0.00363%	*
Authority's proportionate share of the net pension liability (asset)	\$ 1,246,713	\$ 1,356,110	\$ 1,391,696	\$ 1,383,404	\$ 1,493,734	\$ 1,867,169	\$ 1,374,585	\$ 675,452	\$ 693,072	
Authority's covered employee payroll	\$ 803,791	\$ 683,634	\$ 572,705	\$ 513,943	\$ 451,513	\$ 438,486	\$ 425,223	\$ 320,165	\$ 253,006	
Authority's proportionate share of net pension liability (asset) as a percentage of its covered -employee payroll	155%	198%	243%	269%	331%	426%	323%	211%	274%	
Plan fiduciary net position as a percentage of the total pension liability (Local)	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	
	0.703347101									

SCHEDULE OF AUTHORITY CONTRIBUTIONS

Public Employees' Retirement System (PERS)

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution*	\$ 123,247	\$ 90,972	\$ 75,129	\$ 69,887	\$ 59,445	\$ 56,007	\$ 52,645	\$ 29,741	\$ 27,324	*
Contributions in relation to the contractually required contributions*	(123,247)	(90,972)	(75,129)	(69,887)	(59,445)	(56,007)	(52,645)	(29,741)	(27,324)	
Contributions deficiency (excess)	-	-	-	-	-	-	-	-	-	
Authority's covered employee payroll	\$ 803,791	\$ 683,634	\$ 572,705	\$ 513,943	\$ 451,513	\$ 438,486	\$ 425,223	\$ 320,165	\$ 253,006	
Contributions as a percentage of covered-employee payroll	15.33%	13.31%	13.12%	13.60%	13.17%	12.77%	12.38%	9.29%	10.80%	

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF BALANCE SHEET - TRUST FUNDS
JANUARY 31, 2022

Schedule 12

Developers Escrow Fund

Assets	
Cash	<u>\$ 6,559,334.29</u>
Liabilities and Fund Equity	
Reserve for Developers Escrow	<u>\$ 6,559,334.29</u>

Unemployment Trust Fund

Assets	
Cash	<u>\$ 150,085.45</u>
Liabilities and Fund Equity	
Reserve for Unemployment Insurance	<u>\$ 150,085.45</u>

Defeased Escrow Fund

Assets	
Cash	<u>\$ 210,896,092.45</u>
Liabilities and Fund Equity	
Reserve for Defeased Escrow	<u>\$ 210,896,092.45</u>

See independent auditor's report and notes to the financial statements

THE NORTH HUDSON SEWERAGE AUTHORITY
COUNTY OF HUDSON, STATE OF NEW JERSEY
SCHEDULE OF REVENUES AND EXPENDITURES - TRUST FUNDS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

Schedule 13

	<u>Developers Escrow Fund</u>	<u>Unemployment Trust Fund</u>	<u>Defeased Escrow Fund</u>	<u>Total</u>
Cash and Investments				
January 31, 2021	\$ 5,857,519.48	\$ 135,085.45	\$ 231,724,592.50	\$ 237,717,197.43
Receipts:				
Interest on Investments/Net Gains/Loss			4,729,601.71	4,729,601.71
Loan Proceeds- Defeasance 2012 (B)				0.00
Transfer from Interest & Reserve Funds				0.00
Transfer from Operating Checking		15,000.00		15,000.00
Developers Fees/Other	3,264,980.81			3,264,980.81
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	3,264,980.81	15,000.00	4,729,601.71	8,009,582.52
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Fees / Refunds	363,166.00			363,166.00
Debt Service for Defeased Bonds			25,558,101.76	25,558,101.76
Transfer to Revenue Account	2,200,000.00			2,200,000.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	2,563,166.00	0.00	25,558,101.76	28,121,267.76
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and Investments				
January 31, 2022	<u>\$ 6,559,334.29</u>	<u>\$ 150,085.45</u>	<u>\$ 210,896,092.45</u>	<u>\$ 217,605,512.19</u>
 <u>Balance Comprised of:</u>				
Reserve for Developers Escrow	\$ 6,559,334.29	\$ -	\$ -	\$ 6,559,334.29
Reserve for Unemployment Insurance	-	150,085.45	-	150,085.45
Reserve for Defeased Escrow Fund	-	-	210,896,092.45	210,896,092.45
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 6,559,334.29</u>	<u>\$ 150,085.45</u>	<u>\$ 210,896,092.45</u>	<u>\$ 217,605,512.19</u>

See independent auditor's report and notes to the financial statements

STATISTICAL SECTION

North Hudson Sewerage Authority
Expenditures by Function
Last Ten Fiscal Years

Fiscal Year Ended January 31,	Administration		Cost of Providing Services	Interest on Debt	Depreciation and Amortization	Super Storm Sandy Expenses	Debt Issuance Costs/ Structured Lease Termination/ Litigation	Bad Debt/ Loss on Receivables	
	Salaries and Benefits	Other Expenses							
2022	\$ 1,530,144.32	\$ 1,538,182.20	\$ 18,152,361.73	\$ 12,447,256.15	\$ 15,302,093.10	\$ -	\$ 596,595.63	\$ -	**
2021	1,640,040.33	2,072,434.03	18,078,524.17	13,968,013.09	14,874,820.71			0.00	
2020	1,407,482.79	1,819,940.59	18,754,150.36	15,163,681.75	14,284,074.37	1,924,353.47	1,320,803.50	0.00	**
2019	1,396,562.36	1,750,527.81	17,425,363.05	15,710,642.33	13,817,315.81	441,810.54	-	-	
2018	1,499,431.77	1,554,717.88	16,111,709.99	16,008,766.51	13,545,837.84	2,722,833.87	-	-	
2017	1,336,831.09	1,588,115.57	15,167,362.30	16,460,671.38	13,160,386.64	2,004,501.06	-	-	
2016	1,243,051.04	1,262,186.65	15,321,366.89	17,157,730.29	12,811,845.05	1,037,947.41	-	-	
2015	1,078,502.58	1,423,621.36	15,321,752.13	17,378,006.14	12,650,701.99	1,445,632.14	-	1,453,111.42	*
2014	844,718.80	1,621,182.43	14,676,235.80	16,016,418.60	12,303,009.75	2,500,062.99	8,600,000.00	712,500.00	*
2013	767,715.83	1,455,424.73	13,671,382.68	5,036,634.64	17,768,708.71	1,373,196.59	3,648,036.58	43,495.23	*/ **

* Adjustment of Allowance for Doubtful Accounts/ and Cancel Grant Receivable

** Bad Debt Expense and Forgiveness of Debt- Lost on Defeasance

See independent auditor's report and notes to the financial statements

North Hudson Sewerage Authority
Revenues by Source
Last Ten Fiscal Years

Fiscal Year Ended January 31,	User Fees and Charges	Interest and Penalties	Interest Income	Connection Fees	Grant Revenue	Miscellaneous	Insurance Reimb Hurricane Sandy
2022	\$ 52,583,861.86	\$ 1,566,574.09	\$ 30,050.96	\$ 2,189,490.60	\$ 121,453.27	\$ 12,180.81	\$ -
2021	52,520,805.42	1,646,480.01	116,021.82	3,289,359.05	5,082,196.18	19,103.02	-
2020	53,488,427.48	1,294,205.90	990,147.40	5,491,366.85	(534,559.79)	33,892.58	-
2019	51,342,454.45	857,033.19	861,963.83	5,595,620.42	213,284.00	55,096.66	-
2018	50,948,774.33	1,144,955.69	514,958.50	7,034,161.20	376,079.75	21,771.35	-
2017	51,516,741.22	1,331,107.43	211,209.85	6,262,247.06	169,152.64	28,750.93	-
2016	49,525,481.80	1,945,227.59	84,613.60	6,419,487.38	1,624.34	46,241.79	-
2015	47,114,114.26	1,598,663.04	59,777.78	6,812,148.73	6,650,555.50	194,395.92	-
2014	44,442,156.34	2,190,760.69	51,161.15	3,720,966.25	714,518.41	41,080.75	5,000,000.00
2013	39,289,036.23	2,084,661.37	67,860.49	1,500,421.87	1,877,296.37	103,132.43	-

See independent auditor's report and notes to the financial statements

North Hudson Sewerage Authority
User Rates
Last Ten Fiscal Years

Fiscal Year Ended January 31,:	Rate per 1,000 Gallons
2023	10.35 *
2022	9.95
2021	9.75
2020	9.65
2019	9.38
2018	9.38
2017	9.24
2016	8.84
2015	8.43
2014	8.00
2013	7.52

* On February 1, 2023, the North Hudson Sewerage Authority's rate was \$10.35

See independent auditor's report and notes to the financial statements

North Hudson Sewerage Authority
Principal Ratepayers
January 31, 2022
(Usage in thousands)

Ratepayer	Service Address	Usage
Hoboken South Water	333 River Street Hoboken, New Jersey	29,455
900 Monroe Hoboken LLC	900 Monroe Street Hoboken, New Jersey	21,189
Church Towers	10 Church Towers Hoboken, New Jersey	20,922
Manhattan View Healthcare Center	3200 Hudson Union City, New Jersey	19,939
Union City Board of Education	2400 Kerrigan Avenue Union City, New Jersey	19,054
Doric Apt. Corp	100 Manhattan Avenue Union City, New Jersey	18,529
Rivera Towers Corp	6040 Boulevard East West New York, NJ	16,742
Hoboken Housing Authority	655 Sixth Street Hoboken, New Jersey	16,139
Overlook Terrace South Urban Renewal	5601 Boulevard East West New York, New Jersey	15,572
Excel Properties Urban	5701 Blvd East West New York, New Jersey	14,453

See independent auditor's report and notes to the financial statements

North Hudson Sewerage Authority
Ratio of Annual Debt Service Expenditures to Total Expenditures
Last Ten Fiscal Years

Fiscal Year Ended January 31,		Principal	Interest	Total Debt Service	Total Expenditures	Ratio of Debt Service to Expenditures
2022	*	\$ 12,905,422.06	\$ 12,447,256.15	\$ 25,352,678.21	\$ 49,566,633.13	0.51
2021		12,017,765.89	13,968,013.09	25,985,778.98	50,633,832.33	0.51
2020	*	11,991,900.57	15,163,681.75	27,155,582.32	54,674,486.83	0.50
2019	*	11,536,789.04	15,710,642.33	27,247,431.37	50,542,221.90	0.54
2018		11,111,826.16	16,008,766.51	27,120,592.67	51,443,297.86	0.53
2017	*	8,426,421.16	16,460,671.38	24,887,092.54	49,717,868.04	0.50
2016		7,688,469.33	17,157,730.29	24,846,199.62	48,834,127.33	0.51
2015		7,631,860.88	17,378,006.14	25,009,867.02	50,751,327.76	0.49
2014		7,428,313.69	16,016,418.60	23,444,732.29	57,274,628.37	0.41
2013	*	7,203,898.00	5,036,634.64	12,240,532.64	43,764,594.99	0.28

* Defeased/ Refunded Debt

See independent auditor's report and notes to the financial statements

North Hudson Sewerage Authority
Revenue Debt Coverage
Last Ten Fiscal Years

Fiscal Year Ended January 31,	Operating Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2022	\$ 56,379,591.30	\$ 28,953,972.76	\$ 27,425,618.54	\$ 12,905,422.06	\$ 12,447,256.15	\$ 25,352,678.21	\$ 2,072,940.33
2021	57,539,265.97	29,106,714.19	28,432,551.78	12,017,765.89	13,968,013.09	25,985,778.98	2,446,772.80
2020	61,050,948.55	28,899,536.93	32,151,411.62	11,991,900.57	15,163,681.75	27,155,582.32	4,995,829.30
2019	58,506,127.24	27,132,892.43	31,373,234.81	11,536,789.04	15,710,642.33	27,247,431.37	4,125,803.44
2018	59,461,843.18	25,356,788.87	34,105,054.31	11,111,826.16	16,008,766.51	27,120,592.67	6,984,461.64
2017	59,258,399.69	24,073,074.06	35,185,325.63	8,426,421.16	16,460,671.38	24,887,092.54	10,298,233.09
2016	57,999,440.87	23,648,387.88	34,351,052.99	7,688,469.33	17,157,730.29	24,846,199.62	9,504,853.37
2015	55,767,868.76	25,377,865.73	30,390,003.03	7,631,860.88	17,378,006.14	25,009,867.02	5,380,136.01
2014	50,427,853.89	23,167,585.03	27,260,268.86	7,428,313.69	16,016,418.60	23,444,732.29	3,815,536.57
2013	43,044,903.61	21,337,472.40	21,707,431.21	7,203,898.00	5,036,634.64	12,240,532.64	9,466,898.57

See independent auditor's report and notes to the financial statements

North Hudson Sewerage Authority
Miscellaneous Statistics
January 31, 2022

Date of Creation - Hoboken-Union City-Weehawken-West New York Sewerage Authority	November 1988
Date of Reorganization - The North Hudson Sewerage Authority	October 31, 1996
Form of Government	Authority
Number of employees	9
Number of treatment plants	2
Daily average treatment in million gallons	19.68
Maximum daily capacity of treatment plants in million gallons	30.80
Length of combined sewers in linear feet	564,960

Appreciation

We desire to express our appreciation of the assistance and courtesies rendered by the Authority Officials and employees during the course of our audit.

Any issues noted during our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.