

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**Financial Statements and Schedules**  
**December 31, 2010**  
**(With Independent Auditor's Reports Thereon)**

## TABLE OF CONTENTS

<u>Page</u>		<u>Schedule</u>
	<b>INTRODUCTORY SECTION</b>	
1	Roster of Officials	
	<b>FINANCIAL SECTION</b>	
2-3	Independent Auditor's Report	
4-5	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	
6-11	Management's Discussion and Analysis	
	Basic Financial Statements:	
12-13	Statement of Net Assets	
14	Statement of Revenues, Expenses and Changes in Net Assets	
15	Statement of Cash Flows	
16-40	Notes to Financial Statements	
	Required Supplementary Information:	
41	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents and Cash Equivalents - Unrestricted Accounts	1
42	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents and Cash Equivalents - Restricted Accounts	2
43	Schedule of Operating Expenses Compared to Budget	3
44	Schedule of Revenue Compared to Budget	4
45	Schedule of Bonds Payable	5
46	Schedule of Loans Payable	6
47	Schedule of Fixed Assets	7
48	Schedule of Interest Receivable - Restricted and Unrestricted Assets	8
49	Schedule of Accounts Receivable - Connection and User Fees	9
50	General Comments	

## **INTRODUCTORY SECTION**

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**ROSTER OF OFFICIALS  
DECEMBER 31, 2010**

Authority Members

Title

Commissioners

Paul Hugerich

Chairman

Thom Lee

Vice-Chairman

Dean Moreira

Secretary/Treasurer

George Schoenrock

Assistant Secretary

Maribel Anota

Member

Guy Pascarello

1<sup>st</sup> Alternate

Fred Vogel

2<sup>nd</sup> Alternate

Other Officials

Brian Bigler

Executive Director

Beckmeyer Engineering

Consulting Engineers

Johnson & Conway

General Counsel

William Katchen, CPA, LLC

Auditor

## **FINANCIAL SECTION**

**WILLIAM KATCHEN**  
CERTIFIED PUBLIC ACCOUNTANT, LLC

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FAX# (201) 943-5099

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Secaucus Municipal Utilities Authority  
Secaucus, New Jersey

I have audited the accompanying financial statements of the Secaucus Municipal Utilities Authority (A Component Unit of the Town of Secaucus) as of and for the years ended December 31, 2010 and 2009, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the Secaucus Municipal Utilities Authority. My responsibility is to express an opinion on these comparative financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Secaucus Municipal Utilities Authority as of December 31, 2010 and 2009, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated July 11, 2011 on my consideration of the Secaucus Municipal Utilities Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of law, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Board of Commissioners  
Secaucus Municipal Utilities Authority

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages six (6) through eleven (11) to be presented to supplement the basis financial statements. Such information, although not a part of the basis 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basis financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Secaucus Municipal Utilities Authority taken as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Secaucus Municipal Utilities Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



William Katcher  
Certified Public Accountant, LLC  
July 11, 2011

# WILLIAM KATCHEN

CERTIFIED PUBLIC ACCOUNTANT, LLC

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CLIFFSIDE PARK, NEW JERSEY 07010  
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## **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**

The Board of Commissioners  
Secaucus Municipal Utilities Authority

I have audited the financial statements of the Secaucus Municipal Utilities Authority, New Jersey (A Component Unit of the Town of Secaucus) as of and for the year ended December 31, 2010, and have issued my report thereon dated July 11, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing my audit, I considered the Secaucus Municipal Utilities Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Secaucus Municipal Utilities Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Secaucus Municipal Utilities Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Secaucus Municipal Utilities Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Secaucus Municipal Utilities Authority's financial statements that is more than inconsequential will not be prevented or detected by Secaucus Municipal Utilities Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Secaucus Municipal Utilities Authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

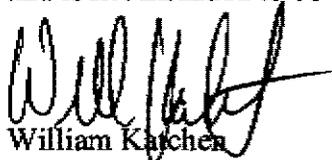
I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

The Board of Commissioners  
The Secaucus Municipal Utilities Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Secaucus Municipal Utilities Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Secaucus Municipal Utilities Authority's management, Commissioners and bondholders and appropriate State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



William Katchen  
Certified Public Accountant, LLC  
July 11, 2011

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

*As management of the Secaucus Municipal Utilities Authority, we offer the Authority's financial statements, this narrative overview and analysis of the Authority's financial performance during the fiscal years ended December 31, 2010 and 2009. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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

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

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activity?" The Statement of Net Assets, and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report net assets of the Authority and the changes in those assets. The Authority's net assets less the difference between assets and liabilities are one way to measure financial health or financial position.

Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. However, consideration should be given to other non-financial factors such as changes in economic conditions, population growth, development and new or changed government regulations.

A summary of the Authority's Statement of Net Assets is presented in the following table:

**Condensed Statement of Net Assets**

	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2009</u>	<u>Dollar</u> <u>Change</u>
Current and other Assets	\$3,935,464	\$ 2,785,106	\$ 1,150,358
Capital Assets, net	<u>4,459,143</u>	<u>3,271,873</u>	<u>1,187,270</u>
Total Assets	<u>8,394,607</u>	<u>6,056,979</u>	<u>2,337,628</u>
Debt Outstanding	4,468,268	3,410,000	1,058,268
Other Liabilities	<u>2,593,392</u>	<u>1,626,603</u>	<u>966,789</u>
Total Liabilities	<u>7,061,660</u>	<u>5,036,603</u>	<u>2,025,057</u>
Total Net Assets	<u>\$1,332,947</u>	<u>\$1,020,376</u>	<u>\$ 312,571</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

A condensed version of the Authority's Statement of Revenues, Expenses and changes in Net Assets is presented in the following table:

**Condensed Statement of Revenues,  
Expenses and Changes in Net Assets**

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>
Operating revenues	\$2,578,534	\$4,172,402	\$(1,593,868)
Nonoperating Revenue	<u>2,024,577</u>	<u>3,054,878</u>	<u>(1,030,302)</u>
Total Revenues	4,603,111	7,227,280	(2,624,170)
Administrative and General Expense	649,296	711,543	(62,247)
Cost of Providing Services Expense	2,606,474	2,341,545	264,929
Depreciation, Amortization & Post Employment Benefit Expense	931,513	1,429,851	(498,338)
Interest Expense	<u>103,257</u>	<u>272,449</u>	<u>(169,192)</u>
Total Expenses	<u>4,290,540</u>	<u>4,755,388</u>	<u>(464,848)</u>
Changes in Net Assets	<u>312,571</u>	<u>2,471,892</u>	<u>(2,159,321)</u>
Beginning Net Assets	<u>1,020,376</u>	<u>(1,451,515)</u>	<u>2,471,891</u>
Ending Net Assets	<u>\$1,332,947</u>	<u>\$ 1,020,376</u>	<u>\$ 312,571</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and changes in Net Assets provides answers as to the nature and source of these changes. As noted in the above table, net assets increased by \$312,571 at December 31, 2010.

The Authority's total revenue decreased by \$2,624,170 to \$4,603,111 in 2010 from \$7,227,280 in 2009 due to decreased Town funding and reduced connection and user fees.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**BUDGETARY HIGHLIGHTS**

The Authority prepares and submits an annual operating budget to the State of New Jersey, which approves the budget for adoption by the Authority.

The following table provides a 2010 budget to actual comparison:

	<b>Budget Vs. Actual FY2010</b>		
<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Operations	\$3,204,250	\$ 2,562,784	\$ 641,466
Nonoperating	15,000	2,024,577	(2,009,576)
Fund equity - appropriated	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
<b>Operating Expenses</b>	4,519,250	4,587,360	(68,110)
<b>Administration:</b>			
Salaries and Wages	337,659	337,659	-
Fringe Benefits	140,000	135,703	( 4,297)
Other Expenses	<u>230,600</u>	<u>175,934</u>	<u>54,666</u>
Total Administration	<u>708,259</u>	<u>649,296</u>	<u>58,963</u>
<b>Cost of Providing Services:</b>			
Salaries and Wages	827,341	862,308	(34,967)
Fringe Benefits	560,000	535,212	24,788
Other Expenses	1,347,900	1,208,954	138,946
Capital Purchase	<u>350,000</u>	<u>137,149</u>	<u>212,851</u>
Total Cost of Providing Services	<u>3,085,241</u>	<u>2,743,623</u>	<u>341,618</u>
<b>Total Operating Expenses</b>	<u>\$3,793,500</u>	<u>\$3,392,919</u>	<u>\$400,581</u>
<b>Debt Service and Reserves:</b>			
Repair and Replacement Reserve	15,750	15,750	-
Interest on Bonds	210,000	103,257	106,743
Bond Principal	<u>500,000</u>	<u>23,272</u>	<u>476,728</u>
<b>Total debt service</b>	<u>\$725,750</u>	<u>\$142,279</u>	<u>\$583,471</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**CAPITAL ASSETS**

At the end of 2010, the Authority had invested \$57,095,382 in capital assets before an allowance for depreciation of \$52,636,239.

**Capital Assets**

	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2009</u>	<u>Dollar</u> <u>Change</u>
Treatment Plant and Pumping Stations	\$ 56,629,448	\$ 54,845,174	\$ 1,784,274
Vehicles	228,970	196,248	32,722
Machinery, Equipment, Furniture and Fixtures	<u>236,964</u>	<u>236,315</u>	<u>649</u>
Total Property, Plant and Equipment	57,095,382	55,277,737	1,817,645
Less: Accumulated Depreciation	<u>(52,636,239)</u>	<u>(52,005,864)</u>	<u>(630,375)</u>
 Net Property, Plant and Equipment	 <u>\$ 4,459,143</u>	 <u>\$ 3,271,873</u>	 <u>\$ 1,187,270</u>

**DEBT ADMINISTRATION**

The Authority has prepared an alternative measurement calculation to comply with GASB 45 and GASB 43. The results of this calculation are an unfunded liability and restriction of unrestricted net assets.

The annual service charge paid to the Authority by the Town of Secaucus as well as other sources of revenue provide for payments of the current years debt service.

Revenue bonds (Series 2010), including accrued interest, outstanding at December 31, 2010 amounted to \$3,142,053 (principal of \$3,135,000 and interest of \$7,053).

More detailed information on the Authority's long-term debt liabilities is presented in note 6 of the financial statements.

The Authority during 2010 obtained two (2) loans in the amount of \$1,356,541 from the New Jersey Environmental Infrastructure Trust. The first loan, in the amount of \$670,000, requires repayment of principal and interest. The second loan, in the amount of \$686,541, is principal only.

The Authority, under the American Recovery and Reinvestment Act, received a grant from the State of New Jersey in the amount of \$1,373,082. These funds are to be used for capital improvements consisting of building costs, engineering, plan\design fees, legal and administrative fees.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**ECONOMIC FACTORS, FUTURE YEARS BUDGETS AND RATES**

The Commissioners and management of the Authority consider many factors when preparing each year's budget and service charges. Two of the main factors are growth in users of the Authority's system and new regulations issued by the State and Federal Governments. Growth of users will result in additional connection fees while changes in regulations may result in increased expenses.

**CAPITAL PROJECTS**

The Authority has completed capital improvement projects beginning in 2007 and extending into 2010. Grit collectors and channel repairs were replaced at a cost of approximately \$405,000 to be funded principally from the repair and replacement fund account. Main control panels under contract at the end of 2008 were rebuilt at a cost of \$175,000. The Authority installed in 2010 a Redirectional Bypass Pumping System for \$122,428, a new roof for the Grit Building for \$27,470 and, a replacement HVAC unit for the Main Control Building for \$12,519.

The Authority has applied for and received approval for \$2,729,623 for projects identified in the ARRA/NJEIT loan program. The subject projects are as follows:

1. Replacement of Automatic Transfer Switch - \$83,200;
2. Replacement of three (3) existing Bar Screens - \$599,000;
3. Pump Motor Control Panels (PS#2 & 3) - \$208,388;
4. Replacement of 9 Waste Water Pumps at PS # 1, 2 & 3 - \$543,550;
5. Solar Panel Installation - \$130,000;
6. Waste Water Reuse Distribution System - \$460,791.

The balance of this funding is to cover Engineering, Legal Services, administrative and contingencies.

**CONTACTING THE AUTHORITY**

This financial report is designed to provide residents of the Town of Secaucus and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Secaucus Municipal Utilities Authority, 1100 Koelle Boulevard, Secaucus, New Jersey 07094.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

## Statements of Net Assets

As of December 31, 2010 and 2010

<u>Assets</u>	2010			2009		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 1,514,999	\$ 1,100,974	\$ 2,615,973	\$ 2,354,699	\$ 141,040	\$ 2,495,739
Accounts Receivable	64,791	-	64,791	95,347	-	95,347
Interfund	113,948	-	113,948	48,191	-	48,191
Loan Receivable	-	833,641	833,641	-	-	-
<b>Total Current Assets</b>	<b>1,693,738</b>	<b>1,934,615</b>	<b>3,628,353</b>	<b>2,498,237</b>	<b>141,040</b>	<b>2,639,277</b>
<b>Property, Plant and Equipment:</b>						
Property, Plant and Equipment	1,411,581	55,683,801	57,095,382	1,274,432	54,003,305	55,277,737
Less Accumulated Depreciation	(572,938)	(52,063,301)	(52,636,239)	(512,366)	(51,493,498)	(52,005,864)
<b>Net Property, Plant and Equipment</b>	<b>838,643</b>	<b>3,620,500</b>	<b>4,459,143</b>	<b>762,066</b>	<b>2,509,807</b>	<b>3,271,873</b>
<b>Other Assets</b>						
Deferred Financing Costs	-	323,912	323,912	-	528,887	528,887
Less: Accumulated Amortization	-	(16,801)	(16,801)	-	(383,058)	(383,058)
<b>Total Other Assets</b>		<b>307,111</b>	<b>307,111</b>		<b>145,829</b>	<b>145,829</b>
<b>Total Assets</b>	<b>\$ 2,532,381</b>	<b>\$ 5,862,226</b>	<b>\$ 8,394,607</b>	<b>\$ 3,260,303</b>	<b>\$ 2,796,676</b>	<b>\$ 6,056,979</b>

See accompanying notes to financial statements.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

## Statements of Net Assets

As of December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<u>Liabilities and Net Assets (Accumulated Deficit)</u>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 290,057	1,114,996	\$ 1,405,053	\$ 343,208	\$ 444,390	\$ 787,598
Payroll Related Payables	131,798	-	131,798	11,604	-	11,604
Accrued Interest Payable	-	18,938	18,938	-	13,266	13,266
Compensated Absences	106,215	-	106,215	106,678	-	106,678
Deferred Credits	307,996	-	307,996	354,770	-	354,770
Escrow Payable	79,604	-	79,604	89,576	-	89,576
Bonds and Loans Payable	-	59,909	59,909	-	2,850,000	2,850,000
Interfund	-	113,948	113,948	-	48,191	48,191
<b>Total Current Liabilities</b>	<b>915,670</b>	<b>1,307,791</b>	<b>2,223,461</b>	<b>905,836</b>	<b>3,355,847</b>	<b>4,261,683</b>
<b>Noncurrent Liabilities:</b>						
Postemployment Benefits other than Pensions	429,840	-	429,840	214,920	-	214,920
Bonds and Loans Payable	-	4,408,359	4,408,359	-	560,000	560,000
<b>Total Non Current Liabilities</b>	<b>429,840</b>	<b>4,408,359</b>	<b>4,838,199</b>	<b>214,920</b>	<b>560,000</b>	<b>774,920</b>
<b>Total Liabilities</b>	<b>1,345,510</b>	<b>5,716,150</b>	<b>7,061,660</b>	<b>1,120,756</b>	<b>3,915,847</b>	<b>5,036,603</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	838,643	292,983	1,131,626	762,066	(754,364)	7,702
Restricted	-	(146,907)	(146,907)	-	(364,807)	(364,807)
Unrestricted	778,068	-	778,068	1,592,401	-	1,592,401
Less: Postemployment Benefits other than Pensions	(429,840)	-	(429,840)	(214,920)	-	(214,920)
<b>Total Net Assets</b>	<b>1,186,871</b>	<b>146,076</b>	<b>1,332,947</b>	<b>2,139,547</b>	<b>(1,119,171)</b>	<b>1,020,376</b>
	<b>\$ 2,532,381</b>	<b>\$ 5,862,226</b>	<b>\$ 8,394,607</b>	<b>\$ 3,260,303</b>	<b>\$ 2,796,676</b>	<b>\$ 6,056,979</b>

See accompanying notes to financial statements.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

Statements of Revenues, Expenses and Changes in  
Net Assets

Years ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Operating Revenues:						
Revenue from Town of Secaucus	\$ 2,303,360	\$ 15,750	\$ 2,319,110	\$ 1,023,273	\$ 15,750	\$ 1,039,023
Sewer Connection/User Fees	259,424	-	259,424	3,133,379	-	3,133,379
Total Operating Revenues	<u>2,562,784</u>	<u>15,750</u>	<u>2,578,534</u>	<u>4,156,652</u>	<u>15,750</u>	<u>4,172,402</u>
Operating Expenses:						
Administrative and General	649,296	-	649,296	711,543	-	711,543
Cost of Providing Services	2,606,474	-	2,606,474	2,341,545	-	2,341,545
Total Operating Expenses	<u>3,255,770</u>	<u>-</u>	<u>3,255,770</u>	<u>3,053,088</u>	<u>-</u>	<u>3,053,088</u>
Operating Income (loss)	<u>(692,986)</u>	<u>15,750</u>	<u>(677,236)</u>	<u>1,103,564</u>	<u>15,750</u>	<u>1,119,314</u>
Nonoperating Income (Expenses):						
Revenue from Debt-Service	-	635,140	635,140	-	3,022,072	3,022,072
Interest and Miscellaneous Income	15,802	553	16,355	32,525	281	32,806
Grant - ARRA	-	1,373,082	1,373,082	-	-	-
Interest Expense	-	(103,257)	(103,257)	-	(272,449)	(272,449)
Depreciation and Amortization	(60,572)	(656,021)	(716,593)	(63,429)	(1,151,502)	(1,214,931)
Post employment benefits other than pensions	(214,920)	-	(214,920)	(214,920)	-	(214,920)
Total Nonoperating income (expenses)	<u>(259,690)</u>	<u>1,249,497</u>	<u>989,807</u>	<u>(245,824)</u>	<u>1,598,401</u>	<u>1,352,578</u>
Net Operating Gain/(Loss)	<u>(952,676)</u>	<u>1,265,247</u>	<u>312,571</u>	<u>857,740</u>	<u>1,614,151</u>	<u>2,471,891</u>
Net Assets, January 1	<u>2,139,547</u>	<u>(1,119,171)</u>	<u>1,020,376</u>	<u>1,281,807</u>	<u>(2,733,322)</u>	<u>(1,451,515)</u>
Net Assets, December 31	<u>\$ 1,186,871</u>	<u>\$ 146,076</u>	<u>\$ 1,332,947</u>	<u>\$ 2,139,547</u>	<u>\$ (1,119,171)</u>	<u>\$ 1,020,376</u>

See accompanying notes to financial statements.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

## Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Operating Activities:						
Operating income (loss)	\$ (692,986)	\$ 15,750	\$ (677,236)	\$ 1,103,564	\$ 15,750	\$ 1,119,314
Adjustments to Reconcile Net Revenue (Loss) from Net cash provided (used) by operating activities:						
Changes in Operating Assets and Liabilities	(25,367)	793,307	767,940	(396,679)	482,285	85,606
Net Cash Provided by (Used for) Operating Activities	(718,353)	809,057	90,704	706,885	498,035	1,204,920
Cash Flows from Investing Activities:						
Interest and Miscellaneous Income	15,802	553	16,355	32,525	281	32,806
Capital Additions	(137,149)	(1,680,496)	(1,817,645)	(39,618)	(533,331)	(572,949)
Net Cash (Used for) Investing Activities	(121,347)	(1,679,943)	(1,801,290)	(7,093)	(533,050)	(540,143)
Cash Flows from Capital Related Financing Activities:						
Revenue from debt-service	-	2,992,316	2,992,316	-	3,022,072	3,022,072
Revenue from NJ DEP Loan	-	522,900	522,900	-	-	-
Revenue from NJ Grant	-	1,373,082	1,373,082	-	-	-
Interest Expense	-	(79,598)	(79,598)	-	(272,449)	(272,449)
Transfers	-	640,000	640,000	-	-	-
Bond issue costs	-	(103,064)	(103,064)	-	-	-
Bond principal payments	-	(3,514,816)	(3,514,816)	-	(2,735,000)	(2,735,000)
Net Cash (Used for) Capital Related Financing Activities	-	1,830,820	1,830,820	-	14,623	14,623
Net Increase (Decrease) in Cash	(839,700)	959,934	120,234	699,792	(20,392)	679,400
Cash and cash equivalents - Beginning of Year	2,354,699	141,040	2,495,739	1,654,907	161,432	1,816,339
Cash and cash equivalents - End of Year	\$ 1,514,999	\$ 1,100,974	\$ 2,615,973	\$ 2,354,699	\$ 141,040	\$ 2,495,739

See accompanying notes to financial statements.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies:

The accounting policies of the Secaucus Municipal Utilities Authority conform to generally accepted accounting principles applicable to government entities. The following is a summary of the more significant policies:

Reporting entity

The Secaucus Municipal Utilities Authority ("the Authority") was created by an ordinance of the Council of the Town of Secaucus on March 14, 1978. The Authority was created as a Municipal Utilities Authority under Chapter 183 of the laws of 1957. Under the bond indenture of the Sewer Revenue Bonds, Series of 1979, certain funds and distribution of revenue were established funds were modified by the Sewer Revenue Refunding Bonds of 1984, the Series A and B Bonds of 1987, the Series C Bonds of 1988, the Series D Bonds of 1991, the Series A and B Bonds of 1994, the Series A and B Bonds of 2003 and the Series 2010 Bonds. The Authority services the Town of Secaucus. The Board of Commissioners is comprised of five members chosen by the Mayor and Council of the Town of Secaucus. Accordingly, the Authority is considered a component unit of the Town of Secaucus.

Basis of Accounting

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned (except for deferred revenue) and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net assets, revenue and expenses are accounted for through a single enterprise fund for the primary government.

The major sources of revenue are payments from the Town of Secaucus, sewer connection and user fees and interest income. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

1. **Summary of Significant Accounting Policies: (Continued)**

Report Presentation

The Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." Statement No. 34 established standards for external financial reporting for all state and local government entities, which includes a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

Also, the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures."

Government Accounting Standards Board Statement No. 34 requires the classification of net assets into three components: invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. These classifications are defined as follows:

- \* **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of unrelated debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.
- \* **Restricted** - This component of net assets consists of constraints placed on net assets use through external sources (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. It includes funding and use of the repair and replacement fund.
- \* **Unrestricted net assets** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement No. 34, Statement No. 37 and Statement No. 38 has no significant effect on the financial statements except, for the classification of net assets in accordance with Statement No. 34.

The Authority has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Government Accounting Standards Board.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies: (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation of property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Repairs and maintenance costs are expensed as incurred; major renewals and betterments are capitalized. When assets are sold or otherwise disposed of the cost and related accumulated depreciation are removed from the accounts and any gain or loss on the disposition is reflected in current operations.

Construction in progress

All costs for the plant expansion and initial operating period have been capitalized as construction in progress. Interest earned during construction reduced the construction in progress basis. Interest expense during construction has been capitalized.

Deferred financing costs

Deferred financing costs such as underwriters discount, bond insurance and certain legal costs incurred have been deferred and are being amortized on a straight-line basis over the life of the related debt obligation.

Cash and cash equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks and certificates of deposit with original maturities of less than six months from date of purchase.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements, accompanying notes and other disclosures. Actual results may differ from those estimates.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

2. Budgetary Procedures:

The Authority follows these procedures in establishing the operating fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by no less than a majority of the governing body. Three certified copies are submitted to the Director of the Division of Local Government Services for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the rates set for connection and user fees included in the proposed budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date (NJAC 5:31-2.8).

3. Property, Plant and Equipment:

The major classes of equipment, at cost, are as follows:

	<u>2010</u>	<u>2009</u>	<u>Useful Life</u>
Vehicles	\$ 228,970	\$ 196,248	5 years
Property, plant and equipment	55,970,072	54,185,797	17-20 years
Furniture, Fixtures and Equipment	<u>236,964</u>	<u>236,315</u>	5 years
	56,436,006	54,618,360	
Less accumulated depreciation	<u>(52,636,239)</u>	<u>(52,005,864)</u>	
	3,799,767	2,612,496	
Land	<u>659,376</u>	<u>659,377</u>	
	<u>\$ 4,459,143</u>	<u>\$ 3,271,873</u>	

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

4. Cash and cash equivalents:

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 agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA").

GUDPA states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. The market value of the pledged securities must equal at least 110% of the Authority's deposits.

Cash and cash equivalents are stated at cost and include the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Checking accounts	\$1,422,895	\$2,270,986
Fund comprised of U.S. Government obligations	1,100,975	122,749
Savings account (Escrow)	77,418	87,346
Savings accounts	<u>14,685</u>	<u>14,658</u>
Total	<u>\$2,615,973</u>	<u>\$2,495,739</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey GUDPA or in a qualified investment established in New Jersey Statutes 40A:5-15.1 that are treated as cash equivalents.

5. Bond Refunding:

1994 Bonds

In 1994 the Authority issued \$31,035,000 of Town Payment Refunding Bonds to refund the 1984, 1987, 1988 and 1991 outstanding financings and to pay the costs of the issuance of the 1994 Bonds. Series A amounted to \$23,015,000 and Series B amounted to \$8,020,000. In the opinion of Bond Counsel to the Authority in performing the financing, the Series A Bonds were tax-exempt for Federal and New Jersey income tax purposes and the Series B Bonds are taxable for federal purposes and tax-exempt for New Jersey income tax purposes.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

5. Bond Refunding (continued):

1994 Bonds

The proceeds of the financing designated for refunding the outstanding issues were deposited in Series A and B Escrow Funds. The monies deposited in the Escrow Funds were invested in U.S. Treasury obligations. The 1984, 1987, 1988, 1991 Bonds and related accounts were removed from the books of the Authority. The 1994 Series B Bonds were defeased in December, 2003 and a charge to net assets for the unexpended cost of financing remaining on the balance sheet of the Authority.

6. 2003 Town Payment Refunding Bonds:

In 2003, the Authority issued \$20,250,000 of Town Payment Refunding Bonds to refund the 1994 outstanding financing and to pay the costs of the issuance of the 2003 Bonds. Series A amounted to \$12,000,000 and Series B amounted to \$8,250,000. In the opinion of the Bond Counsel to the Authority in performing the financing, the Series A Bonds are tax-exempt for Federal and New Jersey income tax purposes and the Series B Bonds are taxable for Federal purposes and tax-exempt for New Jersey income tax purposes.

The proceeds of the financing designated for refunding the outstanding issues were deposited in Escrow Funds. The monies deposited in the Escrow Funds were invested in U.S. Treasury obligations. The 2003 Series A and B Bonds were defeased in November, 2010 and the unexpected cost of financing is being amortized over the term of the 2010 bonds. The 2003 Series A and B Bonds and related accounts have been removed from the books of the Authority.

7. 2010 Town Payment Refunding Bonds:

In November 2010, the Authority issued \$3,135,000 of Town Payment Series 2010 Refunding Bonds to refund the 2003 outstanding financing and to pay the costs of the issuance of the 2010 Bonds. In the opinion of the Bond Counsel to the Authority in performing the financing, the Series 2010 Bonds are taxable for Federal purposes and tax-exempt for New Jersey income tax purposes.

The Series 2010 Bonds were issued on November 23, 2010 to provide funds to refund on \$1,615,000 aggregate principal amount of the Authority's outstanding 2003A Refunding Bonds maturing on December 1, 2010; refund on \$275,000 aggregate principal amount of the Authority's outstanding 2003A Refunding Bonds maturing on December 1, 2011; refund on \$1,235,000 aggregate principal amount of the Authority's outstanding 2003B Refunding Bonds maturing on December 1, 2010; refund on \$285,000 aggregate principal amount of the of the Authority's outstanding 2003B Refunding Bonds maturing on December 1, 2011 and to pay costs of issuance of the 2010 Bonds.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

7. 2010 Town Payment Refunding Bonds (Continued):

The proceeds of the financing designated for refunding the outstanding 2003 Series A and B issue were deposited in Escrow Funds. The monies deposited in the Escrow Funds were invested in U.S. Treasury obligations. The 2003 Series A and B Bonds and related accounts have been removed from the books of the Authority.

The 2010 Bonds to be dated and delivered on or about November 23, 2010 shall bear interest commencing December 1, 2010. Interest on the 2010 Bonds shall be payable commencing on June 1, 2011 and semi-annually thereafter on December 1 and June 1 of each year.

Denomination and place of payment

The 2010 Bonds were issued in fully registered form, without coupons, in denomination of \$5,000 each, or any integral multiple thereof. The principal or redemption price of the 2010 Bonds shall be paid, when due, upon presentation and surrender of the 2010 Bonds at the Trustee's principal corporate trust office. Interest on the 2010 Bonds will be paid to the registered holder by check mailed to the registered owners of the 2010 Bonds as listed on the Authority's registration books which are maintained at the Trustee's principal corporate trust office as of the 15<sup>th</sup> day of the month next proceeding each Interest Payment Date ("Record Date"). The record dates for purposes of the payment of interest shall be November 15 and May 15.

Registration and transfer

The Authority will execute and the Trustee will authenticate the exchange or transfer of the 2010 Bonds, in accordance with the provisions of the Trust Agreement. The Trustee will maintain the books for the Authority for the registration of ownership of each of the 2010 Bonds.

A 2010 Bond is transferable by the registered owner or his/her duly authorized attorney at the designated office of the Trustee, upon surrender of the 2010 Bonds, together with a duly executed instrument of transfer.

Optional redemption

2010 Bonds

The 2010 Bonds are not subject to optional redemption.

**SECURITY FOR THE 2010 BONDS**

The 2010 Bonds and any additional parity bonds are or will be issued under and secured by the provisions of the Trust Agreement.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

7. 2010 Town Payment Refunding Bonds (Continued):

In the opinion of Bond Counsel, the 2010 Bonds will be payable solely from and secured by the Pledged Revenues of the Authority derived from the operation of the Sewer System including the Town Payments from the Town of Secaucus, subject only to the right of the Authority to receive and apply amounts for operating expenses and other lawful purposes as provided in the Trust Agreement.

All bonds issued under the Trust Agreement shall share *pari passu* in any and all moneys and securities held by the Trustee for the benefit of Bondholders, except that (i) amounts held in any Sinking Fund or Debt Service Fund established for the benefit of the holders of less than all the outstanding Bonds, (ii) amounts held in the Rebate Fund shall continue to be held by the Trustee therein for the purpose of making rebates to the United States of America with respect to tax-exempt bonds, as required by the Internal Revenue Code of 1986 (the "Code"), and the Trustee shall apply such moneys and securities in the Rebate Fund to make such rebates when and as required by said Code.

Under the terms of the Service Contract by and between the Authority and the Town, dated March 1, 1979, as amended, the Town is obligated to make Town Payments equal to, *inter alia*, debt service on the 2010 Bonds. In the opinion of Bond Counsel, this obligation to make Town Payments is a valid and binding obligation of the Town, and the Town has the power and is obligated to levy *ad valorem* taxes upon all taxable property therein for the payment of such Town Payments as the same become due, without limitation as to rate or amount, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors rights generally or by equitable principals.

The Authority has adopted a schedule of connection fees for connection to the Sewer Systems. It is not expected that the amount collected under the Authority's schedule of connection charges will provide a significant amount of the Authority's financial requirements. Therefore, substantially all of the Authority's financial requirements, including maintenance, operating, and administrative expenses and debt service on the 2010 Bonds will be provided from the Town Payments due from the Town under Service Contract. The Town will pay such Town Payments out of its general tax revenues, including *ad valorem* taxes.

8. Trust Agreement and Establishment of Funds:

2010 Bonds were issued under and subject to the provisions of a Trust Agreement by and between the Authority and the Trustee. The Trust Agreement established certain funds which are set forth below:

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Construction Fund

The Trustee shall establish a Construction Fund for the payment of the costs of each Project involving construction or acquisition. Grants-in-aid of construction are required to be deposited in the Construction Fund, unless the terms of such grants-in-aid provide otherwise. Upon completion of any Project and delivery of the Authority's certificate approved by the Consulting Engineer, showing the date of such completion and certifying that all required insurance has been obtained and that all costs of such Project have been paid or stating the amounts to be reserved for the payment of unpaid costs, the Trustee is required to transfer the balance in the Construction Account and amounts not reserved for the payment of unpaid costs to the Bond Redemption and Improvement Fund.

Other Funds and Accounts

In addition to the Construction Account, the following funds and accounts will be established under the Trust Agreement:

- (1) Revenue Fund
- (2) Operating Fund
- (3) Debt Service Fund
- (4) Sinking Fund
- (5) Debt Service Reserve Fund
- (6) Renewal and Replacement Fund
- (7) Bond Redemption and Improvement Fund
- (8) Rebate Fund

The Authority will hold the Operating Fund and all other funds will be held by the Trustee.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Flow of funds

All Pledged Revenues with the exception of funding for ordinary operating expenses are required to be paid over to the Trustee forthwith upon receipt for deposit into:

- (1) Revenue Fund -- Transfers from the Revenue Fund shall be made to all other required funds.
- (2) Operating Fund -- monthly, the amount necessary to equal the Authority's operating expenses plus a reasonable reserve (if required) therefore until the date of the next Town Payment.
- (3) Debt Service Fund -- semi-annually, an amount sufficient to make the amount therein equal to (i) interest on the next interest payment date, plus (ii) the greater of 100% of the principal amount of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the principal or face amount of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (4) Sinking Fund -- semi-annually, an amount sufficient to make the amount therein equal to the greater of 100% of the redemption price of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the redemption price of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (5) Debt Service Reserve Fund -- semi-annually, such amount as may be required with respect to additional issues of parity Bonds (there is no Debt Service Reserve Fund for the 2010 Bonds).
- (6) Renewal and Replacement Fund -- semi-annually, up to \$15,750 per year until the amount therein equals \$200,000.
- (7) Bond Redemption and Improvement Fund -- semi-annually, the balance remaining after the foregoing transfers.
- (8) Rebate Fund --at the direction of the Authority, from the Revenue Fund or the Bond Redemption and Improvement Fund, amounts subject to rebate to the United States under the Code.

Operating Fund

Monies from the Operating Fund will be applied by the Authority to pay all costs of operating, maintaining and repairing the Sewer System.

Debt Service Fund

The monies in the Debt Service Fund will be used to pay principal and interest on the Bonds. When Bonds are purchased or redeemed, the amount, if any, in the Debt Service Fund representing interest thereon will be applied to the payment of accrued interest in connection with any such redemption or purchase, and any excess, together with any amount representing principal, shall be transferred to the Bond Redemption and Improvement Fund.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Sinking Fund

Amounts in the Sinking Fund shall be used for the purchase or redemption of the Bonds for which the Sinking Fund was established. The Trustee, at the request of the Authority, may use monies in the Bond Sinking Fund (but not within the period from October 15 through the following December 2, in any year) to purchase additional Bonds at the lowest prices reasonably obtainable; provided that the purchase price, exclusive of accrued interest, does not exceed the mandatory redemption price of such Bonds.

Debt Service Reserve Fund

If required in connection with an issue of additional parity Bonds, the Trustee shall establish a Debt Service Reserve Fund for such issue of Bonds, to make up deficiencies in the Debt Service Fund or Sinking Fund for such Bonds. No Debt Service Reserve Fund has been established for the 2010 Bonds.

Any excess in any Debt Service Reserve Fund may, at the option of the Authority, be transferred to the Revenue Fund or the Bond Redemption and Improvement Fund.

Renewal and Replacement Fund

The Renewal and Replacement Fund will be used to pay costs of extraordinary repairs, renewals and replacements to the Sewer System to the extent that, in the opinion of the Consulting Engineer, such costs cannot be paid out of the budget provision made for such costs. The amount currently required to be deposited annually is \$15,750. The Consulting Engineer may specify an increase in the amount of the Renewal and Replacement Fund for extraordinary repairs to the Sewer System.

Bond Redemption and Improvement Fund

The Trustee shall use the Bond Redemption and Improvement Fund at any time to make up deficiencies in the Debt Service Fund and the Sinking Fund and to restore any withdrawals from the Debt Service Reserve Fund or the Renewal and Replacement Fund. If there is no deficiency in any of the aforesaid Funds and no Event of Default has occurred and is continuing, the Trustee, at the request of the Authority, may apply amounts in the Bond Redemption and Improvement Fund to any lawful corporate purpose of the Authority.

Rebate Fund

The Trustee shall establish a Rebate Fund into which it shall, upon the direction of the Authority, from time to time deposit from the Revenue Fund or the Bond Redemption and Improvement Fund such amounts as may be subject to rebate to the United States pursuant to the Code and shall use the monies therein to make such rebates when and as required.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Rate Covenant

The Authority covenants to charge and collect Town Payments and rates and other charges so that its Pledged Revenue will be sufficient to pay in each fiscal year:

- (a) the expenses of operating, maintaining and repairing the Sewer System and the administrative expenses of the Authority,
- (b) the Debt Service Requirements on all series of Bonds Outstanding at the beginning of such fiscal year; and
- (c) any amounts required to be transferred in such fiscal year to the Renewal and Replacement Fund or any other reserve fund.

Additional Bonds

The Authority may issue additional parity Bonds for either of the following purposes:

- (1) To pay or complete the payment of the cost of acquisition or construction of additional facilities, or the extraordinary repair or replacement of facilities, which are or will be a part of the Sewer System, or of any Project which the Authority elects to finance under the Trust Agreement, or
- (2) to pay the cost of refunding all or part of the Bonds Outstanding under the Trust Agreement.

Among the conditions that must be satisfied before any Additional Bonds are issued are:

- (1) No Event of Default under the Trust Agreement will be continuing after the issuance of such Bonds.

Additional Bonds

- (2) A certificate of the Consulting Engineer to the Authority is obtained stating that in its opinion, after the issuance of the Additional Bonds and on the basis of rates and charges then in effect or which may reasonably be imposed in the future (including Town Payments), Pledged Revenues will meet the requirements of the rate covenant in the Trust Agreement.
- (3) The Authority certifies that all conditions precedent to the issuance of such Additional Bonds has been satisfied.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Sale or encumbrance of facilities

The Trust Agreement provides that, while any of the Bonds are Outstanding, the Authority shall not sell, pledge or otherwise dispose of or encumber any part of the Sewer System (other than property which has been replaced in the ordinary course of operations), or any revenues derived there from except that the Authority may during any one Fiscal Year dispose of property having an aggregate fair market value not exceeding \$100,000, and may dispose of other property if the proceeds thereof (if not reinvested in the Sewer System) are deposited in the Bond Redemption and Improvement Fund and the Authority files with the Trustee a Consulting Engineer's certificate with respect to such disposition stating that, in the opinion of the Consulting Engineer, such disposition will not adversely affect the security of the Bonds or is pursuant to a valid governmental order. The Authority is permitted to grant easements upon filing with the Trustee a Consulting Engineer's certificate that such easement will not interfere with the operation of the Sewer System.

Investment of Funds

The Trustee shall, at the direction of the Authority, invest monies held in any Fund in Investment Securities. To the extent that, as a result of income received in respect of Investment Securities, the amount in any Fund exceeds the required amount, the excess shall be deposited in the Revenue Fund or the Construction Fund.

Redemption of Bonds

When required under the Trust Agreement or directed to do so by the Authority, the Trustee shall cause notice of the redemption to be given not more than 40 days, and not less than 25 days prior to the redemption date by mailing a copy of notices of redemption by postage prepaid, first class mail to all registered holders of Bonds to be redeemed, at their registered addresses and also to each rating agency that has assigned a rating to the Bonds and to the Bond Buyer, but failure to mail any such notice or a defect in the mailing of the mailed notice shall not affect the validity of the redemption.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Covenants of the Authority

The Authority also covenants to:

1. Pay all taxes, assessments, or other municipal or governmental charges lawfully imposed upon the Authority, Sewer System or the revenues from the Sewer System;
- (2) Pay or discharge or make adequate provision to satisfy and discharge, within 60 days after the same shall accrue, any lien or charge and all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might become a lien or charge against projects financed under the Trust Agreement; provided, however, that the Authority is not required to pay or discharge or make provision for any lien or charge so long as its validity is being contested in good faith and by appropriate legal proceedings;
- (3) Employ a Consulting Engineer;
- (4) Employ an Independent Public Accountant; and
- (5) Enforce the Service Contract.

Events of Default and Remedies

Each of the following is an "Event of Default" under the Trust Agreement;

- (a) Default in the payment of interest on Bonds when due and payable and continuance of such default for a period of 30 days; or
- (b) default in the payment of the principal or redemption price of any Bond when due and payable at maturity or upon call for redemption; or
- (c) failure by the Authority to observe or perform any covenant in the Bonds or Trust Agreement and continuance of such failure for a period of 30 days after written notice thereof, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; or
- (d) an order shall have been entered with the acquiescence of the Authority appointing a receiver of any part of the Sewer System or revenues thereof, or such an order, having been entered without such acquiescence, shall not have been vacated, discharged or stayed on appeal within a period of 60 days after entry.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Events of Default and Remedies

If an Event of Default shall have occurred and not have been remedied, the Trustee may, and upon the written request of the holders of 25% in principal amount of the Outstanding Bonds, shall take any of the following actions:

- (1) By any action, writ, proceeding in lieu of abrogative writ, or other proceeding, enforce all rights of the Bondholders, including the right to require the Authority to charge and collect service charges adequate to carry out any contract as to, or pledge of, system revenues, and to require the Authority to carry out and perform the terms of any contract with the holders of such Bonds or its duties under the Act;
- (2) Bring suit upon the Bonds;
- (3) Require the Authority to account as if it were the trustee of an express trust for the holders of such Bond; and
- (4) Declare all such Bonds due and payable whether or not in advance of maturity, upon 30 days prior notice in writing to the Authority, except that if all defaults shall have been cured, then with the consent of the holders of 25% of the principal amount of such Bonds then outstanding, annul such declaration and its consequences.

The holders of a majority in principal amount of the Bonds outstanding under the Trust Agreement shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Trust Agreement. The Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not party to the action.

No Bondholder has the right to pursue any remedy under the Trust Agreement unless (1) the Trustee shall have been given notice of an Event of Default, and (2) the holders of at least 25% in principal amount of the Bonds then outstanding shall have requested the Trustee to exercise the powers granted to pursue the remedy, and (3) the Trustee shall have been offered indemnity, reasonably satisfactory to it against costs, expenses and liabilities, which shall include reasonable fees of counsel to the Trustee and expenses of such counsel, and (4) the Trustee shall have failed to comply with such request within 60 days.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

8. Trust Agreement and Establishment of Funds (Continued):

Events of Default and Remedies

In the Event of Default, monies received by the Trustee shall be applied:

First: To the payment of the costs of the Trustee, including reasonable counsel fees and expenses of the Trustee, and its reasonable compensation;

Second: To the payment of principal or redemption price and interest then owing on the Bonds, and in case such money shall be insufficient to pay the same in full, then to the payment of principal or redemption price and interest ratably, without preference or priority of one over another or of any installment of interest, except as otherwise provided in the case of interest extended or transferred apart from the Bond after maturity; and

Third: To the Authority or person lawfully entitled thereto

Notwithstanding the foregoing, the Trustee may not disregard any limitation described herein under "Security for the Bonds" concerning the availability of monies or securities held in the Rebate Fund, or held in a Sinking Fund or Debt Service Reserve Fund established for the benefit of the holders of less than all the Outstanding Bonds. The Trustee may not apply any such monies or securities otherwise than for the benefit of the holders of the series of Bonds for which such monies or securities are held by the Trustee.

Amendment of Trust Agreement

The Trust Agreement may be amended or supplemented by a Supplemental Agreement between the Authority and the Trustee.

The Trust Agreement may be amended without the consent of the Bondholders in connection with the issuance of Additional Bonds, to add additional covenants of the Authority to the Trust Agreement, or to cure any ambiguity or correct or supplement any defective provision of the Trust Agreement in such manner as shall not be inconsistent with the intent of the Trust Agreement and shall not impair the security thereof or adversely affect the Bondholders.

The Trust Agreement may be amended with the consent of the holders of at least 66-2/3% in aggregate principal amount of the Outstanding Bonds of each series adversely affected thereby, except with respect to (i) the interest payable upon any Bonds, (ii) the dates of maturity or required redemption of any Bonds, or (iii) the procedure for amending the Trust Agreement.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

9. State of New Jersey Grant, ARRA and NJEIT Loan

The Authority has applied for and received approval for \$2,729,623 for projects identified in the ARRA/NJEIT loan program including 1) Replacement of Automatic Transfer Switch - \$83,200; 2) existing Bar Screens - \$599,000; 3) Pump Motor Control Panels (PS#2 & 3) - \$208,388; 4) Replacement of 9 Waste Water Pumps at PS # 1, 2 & 3 - \$543,550; 5) Solar Panel Installation - \$130,000; and 6) Waste Water Reuse Distribution System - \$460,791. The balance of this funding is to cover Engineering, Legal Services, administrative and contingencies.

The Authority, under the American Recovery and Reinvestment Act ("ARRA"), received a funding grant from the State of New Jersey in the amount of \$1,373,082 and two (2) loans in the amount of \$1,356,541 from the New Jersey Environmental Infrastructure Trust. Following is the corresponding principal, interest and fees schedule for each loan.

Loan payable – (Principal Only)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	34,909	-	34,909
2012	34,909	-	34,909
2013	34,909	-	34,909
2014	34,909	-	34,909
2015	34,909	-	34,909
2016-2029	<u>488,723</u>	<u>-</u>	<u>488,723</u>
<b>Total</b>	<b><u>\$ 663,268</u></b>	<b><u>-</u></b>	<b><u>\$ 663,268</u></b>

Loan payable – Trust (Principal and Interest)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2011	\$ 25,000	28,525	8,876	62,401
2012	25,000	27,525	8,876	61,401
2013	25,000	26,275	5,442	56,717
2014	25,000	25,025	4,437	54,462
2015	30,000	23,775	2,010	55,785
2016-2029	<u>540,000</u>	<u>174,375</u>	<u>28,140</u>	<u>742,515</u>
<b>Total</b>	<b><u>\$ 670,000</u></b>	<b><u>\$ 305,500</u></b>	<b><u>\$ 57,781</u></b>	<b><u>\$ 1,033,281</u></b>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

10. Service Agreement with the Town of Secaucus:

Defeasance

When principal or redemption price of, and interest on, all Bonds issued under the Trust Agreement have been paid, or there shall be deposited with the Trustee an amount evidenced by monies, Defeasance Quality Obligations and the principal of and interest on such securities, when due, will provide sufficient monies to fully pay the Bonds, all right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority, shall release the Authority from the obligations of the Trust Agreement, except for the Authority's duty to indemnify the Trustee and to pay the Trustee reasonable compensation for its services under the Trust Agreement.

The Town and the Authority entered into a Service Contract dated as of March 1, 1979, as amended. The following summary is an outline of major provisions of the Service Contract and is not to be considered a full statement of such contract:

Operation of Sewer System

The Authority has agreed to operate the Sewer System for the benefit of the residents of the Town of Secaucus and to comply with all orders of any governmental body applicable to the operation, maintenance and repair of the Sewer System.

Capital Additions

The Authority may construct or acquire any Capital Addition to the Sewer System, but no obligations equally and ratably secured with the 2010 Bonds may be issued to pay the costs of such construction or acquisition without the Town's consent, unless:

- (1) The Consulting Engineer certifies that for the five years after completion, the Capital Addition will be self-supporting; or
- (2) The Capital Addition is required by a governmental body.

Annual Service Charge

The Town agreed to pay an Annual Service Charge to the Authority in an amount at least sufficient to provide:

- (1) Operation, maintenance and administrative expenses of the Authority; and
- (2) Debt service requirements on the 2010 bonds.
- (3) Other payments or amounts (including amounts necessary to meet the Authority's rate covenant in the Trust Agreement) required by the terms of any trust agreement or bond resolution adopted by the Authority.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

10. **Service Agreement with the Town of Secaucus (Continued):**

The Town will receive as credit against the Annual Service Charge:

- (1) The total amount of the Authority's net operating revenues from the Sewer System for the Authority's preceding Fiscal Year or the amount of such net operating revenues anticipated in the Authority's budget for the next succeeding Fiscal Year, whichever is the lesser amount; and;
- (2) The agreed amount of unrestricted net assets to be applied in the following year's Budget.

Authority's Rates and Charges

The Authority has adopted a schedule of charges for connections to the Sewer System and for tax exempt users. No other schedule may be adopted by the Authority without written approval by the Town, except as provided in the Service Contract.

11. Pension Plan:

All Authority employees participate in the Public Employees' Retirement System (PERS) of New Jersey a cost-sharing multi-employer pension system. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the fund and can charge the Authority annually for their respective contribution. The plan does not maintain separate records for each participant in the State and, therefore, the actuarial data for the Authority is not available. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A.43:15A to provide retirement, death, disability and medical benefits to qualified members. Membership is mandatory for substantially all full time employees of the State of New Jersey 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.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

11. Pension Plan (Continued):

Vesting and Benefit Provision

Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). 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 contributions. In case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Funding policy

The contribution policy is set by the New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5.50%. Employers are required to contribute at an actuarially determined rate to PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Employer contributions were suspended in 1997 based on actuarial estimates that PERS was adequately funded and reinstated beginning in 2005 on an incremental funding schedule. Employer contributions assessed for the years ended December 31, 2010 and 2009 were \$119,056 and \$89,732 respectively.

Compensated absences:

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. Sick leave accrues to full-time, permanent employees to specified maximums. At retirement, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The accrued liability at December 31, 2010 and December 31, 2009 was \$106,215 and \$106,678, respectively.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

12. Deferred Compensation Plan:

The Authority established a Deferred Compensation Plan in 1997. The Plan, covered under Section 457 of the Internal Revenue Code provides for employee contributions only. The Variable Annuity Life Insurance Company was selected as plan administrator.

13. Deferred Revenue:

The balance of \$307,996 at December 31, 2010 and \$354,770 at December 31, 2009, respectively represents connection and user fee receipts (including accounts receivable) in the current year to be treated as revenue in the subsequent year.

14. Joint Service Agreement:

The Authority entered into a Joint Service Agreement with the Town of Secaucus and other Town agencies for the purpose of jointly sharing and utilizing the services of personnel for services including, but not limited to, maintenance and improvements of facilities. The costs of the services are to be allocated among the Town agencies with the Authority's share to be 15%.

15. Unrestricted and Restricted Net Assets:

The Authority's unrestricted and restricted net assets account balances at December 31, 2010 are as follows:

	<u>Unrestricted Net Assets</u>	<u>Restricted Net Assets</u>	<u>Total</u>
Balance, 1/1/2010	\$ 1,592,401	\$ (364,807)	\$ 1,227,594
Year ended December 31, 2010:			
Net income (Loss)	(952,676)	1,265,247	312,571
Capital assets purchased	(137,149)	(1,680,496)	(1,817,645)
Loan principal paid – NJEIT	-	(22,872)	(22,872)
Depreciation and post employment benefit expense	<u>275,492</u>	<u>656,021</u>	<u>931,513</u>
	<u>(814,333)</u>	<u>217,900</u>	<u>(596,433)</u>
Balance, 12/31/2010	<u>\$ 778,068</u>	<u>\$ (146,907)</u>	<u>\$ 631,161</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

16. Commitments and Contingencies:

The Authority is a party to a Collective Bargaining Agreement with Local 11, International Brotherhood of Teamsters. The term of the agreement is January 1, 2008 to December 31, 2011.

The Authority was a defendant in a lawsuit concerning a connection to the collection system. This action has been resolved in its entirety and the Authority has been absolved completely. The total cost to the Authority (excluding payment by the Authority insurance fund) for defense of this action was \$19,221, paid to the Authority's insurance carrier.

17. Bonds payable - 2010 SERIES

Bonds payable is comprised of the 2010 Series Bonds with the annual maturities of principal, rate yield and price as follows:

<u>Maturity Date</u>	<u>Amount</u>	<u>Rate/Yield</u>	<u>Price</u>
12/01/2012	\$ 495,000	1.610%	100.000
12/01/2013	505,000	1.880%	100.000
12/01/2014	515,000	2.370%	100.000
12/01/2015	525,000	2.720%	100.000
12/01/2016	540,000	3.260%	100.000
12/01/2017	<u>555,000</u>	3.510%	100.000
<b>Total</b>	<b><u>\$3,135,000</u></b>		

Principal and interest for the bonds is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	-	\$ 82,834	\$ 82,834
2012	\$495,000	81,034	576,034
2013	505,000	73,064	578,064
2014	515,000	63,570	578,570
2015	525,000	51,365	576,365
2016	540,000	37,086	577,086
2017	<u>555,000</u>	<u>19,480</u>	<u>574,480</u>
<b>Total</b>	<b><u>\$3,135,000</u></b>	<b><u>\$408,433</u></b>	<b><u>\$3,543,433</u></b>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

18. Bonds and loans payable

The Authority's outstanding bonds and loans are stated as follows:

<u>Year</u>	<u>NJEIT</u>				<u>2010</u>		<u>Total</u> <u>Debt Service</u>
	<u>Loan payable –</u> <u>(Principal Only)</u>	<u>Loan payable – Trust</u> <u>(Principal and Interest)</u>		<u>Bonds</u>			
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 34,909	\$ 25,000	\$ 28,525	\$ 8,876	-	\$ 82,834	\$180,144
2012	34,909	25,000	27,525	8,876	\$495,000	81,034	672,344
2013	34,909	25,000	26,275	5,442	505,000	73,064	669,690
2014	34,909	25,000	25,025	4,437	515,000	63,570	667,941
2015	34,909	30,000	23,775	2,010	525,000	51,365	667,059
2016-29	\$488,723	\$540,000	\$174,375	\$28,140	1,095,000	56,566	2,382,804
<b>Total</b>	<b>\$663,268</b>	<b>\$670,000</b>	<b>\$305,500</b>	<b>\$ 57,781</b>	<b>\$3,135,000</b>	<b>\$408,433</b>	<b>\$5,239,982</b>

20. Other Post Employment Benefits:

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed (30) years.

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	<u>December 2010</u>
Annual normal cost	\$ 214,920
Amortization of initial unfunded accrued liability	<u>120,465</u>
Net OPEB Cost	<u>335,385</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

20. Other Post Employment Benefits (Continued):

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2010 fiscal year is as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost – Contributed</b>	<b>Net OPEB Obligation</b>
December 2009	* \$ 214,920	N/a	\$ 214,920
December 2010	214,920	N/a	\$ 429,840

\* Restated based on updated study

Funded Status and Funding Progress

As of January 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$3,441,870, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,441,870.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Effect of a 1% Change in Healthcare Trend Rates

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$4,350,240 or by 21% and the corresponding Normal Cost would increase to \$279,808 by 30%.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010 AND 2009**

20. Other Post Employment Benefits (continued):

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method                      Projected Unit Credit
- Investment Rate of Return:              N/a
- Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>
December-11	10%
December-12	9%
December-13	8%
December-14	7%
December-15	6%

- Discount rate:                              5% per annum
- Actuarial Value of Assets:              Market Value
- Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period:      30 years at January 1, 2010

Reconciliation of Plan Participation (as of January 1, 2010) Active Employees:

Average Years of Service:	11.3
Average Age:	47.2
Average Expected Future Working Lifetime in Years:	11.2

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

Schedule of Cash Receipts, Cash Disbursements  
and Changes in Cash and Cash Equivalents

## Unrestricted Accounts

Year Ended December 31, 2010

	Unrestricted Account
Cash and Investments - January 1, 2010	\$ 2,354,699
Cash Receipts:	
Revenue from Town-Operating	2,303,360
Interest received and other income	15,802
Sewer connection and user fees	<u>259,424</u>
Total Cash and Investments Available	4,933,285
Cash Disbursements:	
Capital Improvements	137,149
Operating expenses	3,255,770
Escrow refunded	9,617
Transfer to restricted	<u>15,750</u>
Total Cash Disbursements	<u>3,418,286</u>
Cash and Cash Equivalents - December 31, 2010	\$ <u><u>1,514,999</u></u>

See auditor's report.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

Schedule of Cash Receipts, Cash Disbursements  
and Changes in Cash and Cash Equivalents

## Restricted Accounts

Year Ended December 31, 2010

	Restricted <u>Account</u>
Cash and Investments - January 1, 2010	\$ 141,040
Cash Receipts:	
Cost of issuance funding	122,306
Repair and replacement contribution	15,750
Transfer from unrestricted	640,000
Bond proceeds	2,992,316
NJ DEP - loan	522,900
NJ DEP - grant	1,373,082
Interest and other income received	<u>553</u>
Total Cash and Investments Available	<u>5,807,947</u>
Cash Disbursements:	
Escrow	3,514,813
Cost of issuance	103,064
Interest expense - bonds	79,598
ARRA expenses	<u>1,009,499</u>
Total Cash Disbursements	<u>4,706,974</u>
Cash and Cash Equivalents - December 31, 2010	\$ <u><u>1,100,974</u></u>

See auditor's report.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

## Schedule Of Operating Expenses Compared To Budget

Year Ended December 31, 2010

	2010 <u>Budget</u>	2010 <u>Actual</u>	Over <u>(Under)</u>	2009 <u>Budget</u>
<b>Operating Appropriations:</b>				
<b>Administration:</b>				
Salaries and wages	\$ 337,659	337,659	-	316,556
Fringe benefits	140,000	135,703	4,297	187,056
Telephone	6,600	3,236	3,364	6,600
Trustee fees / charges	24,000	4,329	19,671	24,000
Legal fees	100,000	54,450	45,550	100,000
Accounting and auditing	42,000	41,500	500	42,000
Stationary, postage and miscellaneous	28,000	31,359	(3,359)	28,000
Seminars and conventions	30,000	11,229	18,771	30,000
Outside services	25,000	29,831	(4,831)	25,000
	<u>733,259</u>	<u>649,296</u>	<u>83,963</u>	<u>759,212</u>
<b>Cost of Providing Services:</b>				
Salaries and wages	827,341	862,308	(34,967)	783,444
Fringe benefits	560,000	535,212	24,788	462,944
Power	325,000	336,901	(11,901)	315,000
Water	12,000	7,314	4,686	7,500
Chemicals	77,500	95,665	(18,165)	75,000
Maintenance supplies	75,000	57,263	17,737	70,000
Engineering	80,000	75,000	5,000	80,000
Repairs	85,000	27,881	57,119	85,000
Sludge disposal	230,000	255,646	(25,646)	230,000
Testing fees	55,000	27,537	27,463	45,000
Insurance	110,000	91,761	18,239	110,000
Laboratory expenses	18,000	17,002	998	16,000
Permits	30,000	26,674	3,326	30,000
Garbage disposal	38,400	34,375	4,025	37,500
Uniforms	22,000	20,518	1,482	21,000
Sanitary sewer repairs	165,000	135,419	29,581	165,000
Capital purchases	350,000	137,149	212,851	350,000
	<u>3,060,241</u>	<u>2,743,623</u>	<u>316,618</u>	<u>2,883,388</u>
<b>Total Operating Appropriations</b>	<u><b>3,793,500</b></u>	<u><b>3,392,919</b></u>	<u><b>400,581</b></u>	<u><b>3,642,600</b></u>

See auditor's report.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

## Schedule of Revenue Compared to Budget

Year Ended December 31, 2010

	2010 <u>Budget</u>	2010 <u>Actual</u>	Over <u>(Under)</u>
Revenue:			
Service Agreements	\$ 2,954,250	\$ 2,954,250	\$ -
Interest on Investments and Misc.	15,000	16,355	1,355
Connection and User Fees	250,000	259,424	9,424
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ <u>3,219,250</u>	\$ <u>3,230,029</u>	\$ <u>10,779</u>

See auditor's report.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Town of Secaucus)

## Schedule of Bonds Payable

Year Ended December 31, 2010

## 2010 SERIES

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	-	82,834	82,834
2012	495,000	81,034	576,034
2013	505,000	73,064	578,064
2014	515,000	63,570	578,570
2015	525,000	51,365	576,365
2016	540,000	37,085	577,085
2017	555,000	19,481	574,481
	<u>\$ 3,135,000</u>	<u>\$ 408,433</u>	<u>\$ 3,543,433</u>

See auditor's report



**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**

**(A Component Unit of The Town of Secaucus)**

**Schedule of Fixed Assets**

**Year Ended December 31, 2010**

Balance, January 1, 2010	\$ 55,277,737
Additions	<u>1,817,647</u>
Balance, December 31, 2010	\$ <u>57,095,382</u>

See auditor's report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**

(A Component Unit of The Town of Secaucus)

**Schedule of Interest Receivable - Restricted & Unrestricted Assets**

	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>
Balance , January 1, 2010	\$ -	\$ -	\$ -
Add: Interest Earned	<u>16,355</u>	<u>15,802</u>	<u>553</u>
	16,355	15,802	553
Less: Interest Received - 2010	<u>16,355</u>	<u>15,798</u>	<u>553</u>
Balance, December 31, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See auditor's report.

## SECAUCUS MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of The Town of Secaucus)

## Schedule of Accounts Receivable - Connection and User Fees

Year Ended December 31, 2010

	<u>Totals</u>
Balance, January 1, 2010	\$ 95,347
Increased by:	
Revenue- December 31, 2010	259,424
Deferred revenue-December 31, 2010	<u>307,996</u>
	662,767
Less: Cash Received - 2010	243,206
Deferred revenue - January 1, 2010	<u>354,770</u>
	597,976
Balance, December 31, 2010	<u>\$ 64,791</u>

See auditor's report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)**

**GENERAL COMMENTS**

**DECEMBER 31, 2010 AND 2009**

None