

**SECAUCUS MUNICIPAL UTILITIES
AUTHORITY**

**Financial Statements and Supplementary
Information
December 31, 2012 and 2011**

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INTRODUCTORY SECTION

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS DECEMBER 31, 2012

<u>Authority Members</u>	<u>Title</u>
<u>Commissioners</u>	
George Schoenrock	Chairman
Guy Pascarello	Vice-Chairman
Dean Moreira	Secretary
Fréd Vogel	Treasurer
Maribel Anota	Member
Amanda Nesheiwat	1 st Alternate
Jennifer Modi	2 nd Alternate
<u>Other Officials</u>	
Brian Bigler	Executive Director
Beckmeyer Engineering	Consulting Engineers
Johnson & Conway	General Counsel
William Katchen, CPA, LLC	Auditor

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF COMMISSIONERS
SECAUCUS MUNICIPAL UTILITIES AUTHORITY
SECAUCUS, NEW JERSEY

Report on the Financial Statements

I have audited the accompanying financial statements of Secaucus Municipal Utilities Authority which comprise the statement of net assets as of December 31, 2012 and 2011, and the related statements of revenues, expenses, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Secaucus Municipal Utilities Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secaucus Municipal Utilities Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Secaucus Municipal Utilities Authority as of December 31, 2012 and 2011, and the respective changes in net assets, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 accepted in the United States of America, which consisted of inquiries of management about the method 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 my audit of the basic 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 opinions on the financial statements that collectively comprise the Secaucus Municipal Utilities Authority's basic financial statements. The accompanying supplementary information on pages 42 through 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated May 30, 2013 on my consideration of Secaucus Municipal Utilities Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my 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. This 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.



William Klatchen
Certified Public Accountant, LLC
May 30, 2013

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

TO THE BOARD OF COMMISSIONERS
SECAUCUS MUNICIPAL UTILITIES AUTHORITY
SECAUCUS, NEW JERSEY

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Secaucus Municipal Utilities Authority (hereafter referred to as the Authority), which comprise the statement of financial positions as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated May 30, 2013.

Internal Control Over Financial Reporting

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

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 Authority'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.

My consideration of internal control over financial reporting was for the limited purpose described in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Secaucus Municipal Utilities Authority's internal control or on compliance. This report is an integral part of Secaucus Municipal Utilities Authority's audit performed in accordance with *Government Auditing Standards* in considering the Secaucus Municipal Utilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William Katchen

Certified Public Accountant, LLC

May 30, 2013

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012 and 2011

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, 2012 and 2011. 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 (deficit). 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 Town 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
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 (deficit) 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>2012</u>	<u>FY</u> <u>2011</u>	<u>Dollar</u> <u>Change</u>
Current and other Assets	\$3,235,809	\$3,153,662	\$ 82,147
Capital Assets, net	<u>4,478,737</u>	<u>4,490,942</u>	<u>(12,205)</u>
Total Assets	<u>7,714,546</u>	<u>7,644,604</u>	<u>69,942</u>
Debt Outstanding	3,853,454	4,408,360	554,906
Other Liabilities	<u>2,516,306</u>	<u>2,273,199</u>	<u>(243,107)</u>
Total Liabilities	<u>6,369,760</u>	<u>6,681,559</u>	<u>311,799</u>
Total Net Assets	<u>\$1,344,786</u>	<u>\$ 963,045</u>	<u>\$ 381,741</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

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

	FY <u>2012</u>	FY <u>2011</u>	Dollar <u>Change</u>
Operating revenues	\$3,665,692	\$3,810,985	\$(145,293)
Non-Operating Revenue	<u>718,215</u>	<u>226,816</u>	<u>491,399</u>
Total Revenues	4,383,907	4,037,801	346,106
Administrative and General Expense	513,113	441,209	(71,904)
Cost of Providing Services Expense	2,725,736	2,847,120	121,384
Depreciation, Amortization & Post Employment Benefit Expense	647,067	999,893	352,826
Interest Expense	<u>116,250</u>	<u>119,481</u>	<u>3,231</u>
Total Expenses	<u>4,002,166</u>	<u>4,407,703</u>	<u>405,537</u>
Changes in Net Assets	<u>381,741</u>	<u>(369,902)</u>	<u>751,643</u>
Beginning Net Assets	<u>963,045</u>	<u>1,332,947</u>	<u>(369,902)</u>
Ending Net Assets	<u>\$1,344,786</u>	<u>\$ 963,045</u>	<u>\$ 381,741</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 \$381,741 at December 31, 2012.

The Authority's total revenue increased by \$346,106 due to debt service and connection and user fee revenue.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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 2012 budget to actual comparison:

	Budget Vs. Actual FY2012		
<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operations	\$3,720,719	\$ 3,665,692	\$ (55,027)
Non-Operating	665,000	718,215	53,215
Fund equity - appropriated	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
	<u>4,635,719</u>	<u>4,383,907</u>	<u>(251,812)</u>
Operating Expenses:			
Administration:			
Salaries and Wages	245,100	237,323	(7,777)
Fringe Benefits	148,200	115,256	(32,944)
Other Expenses	<u>258,000</u>	<u>160,534</u>	<u>(97,466)</u>
Total Administration	<u>651,300</u>	<u>513,113</u>	<u>(138,187)</u>
Cost of Providing Services:			
Salaries and Wages	1,044,900	987,383	(57,517)
Fringe Benefits	631,800	491,355	(140,445)
Other Expenses	1,478,500	1,246,998	(231,502)
Capital Purchase	<u>150,000</u>	<u>59,586</u>	<u>(90,414)</u>
Total Cost of Providing Services	<u>3,305,200</u>	<u>2,785,322</u>	<u>(519,878)</u>
Total Operating Expenses	<u>\$3,956,500</u>	<u>\$3,298,435</u>	<u>\$ (658,065)</u>
Debt Service and Reserves:			
Repair and Replacement Reserve	15,750	15,750	-
Interest on Bonds and Loans	109,469	116,250	(6,781)
Bond and Loan Principal	<u>554,000</u>	<u>554,909</u>	<u>(909)</u>
Total debt service	<u>\$ 679,219</u>	<u>\$ 686,909</u>	<u>\$ (7,690)</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS

At the end of 2012, the Authority had invested \$57,577,307 in capital assets before an allowance for depreciation of \$53,078,570.

Capital Assets

	FY 2012	FY 2011	Dollar Change
Treatment Plant and Pumping Stations	\$ 57,002,670	\$ 56,843,202	\$ 159,468
Vehicles	280,106	228,970	51,136
Machinery, Equipment, Furniture and Fixtures	274,531	269,308	5,223
Total Property, Plant and Equipment	57,557,307	57,341,480	215,827
Less: Accumulated Depreciation	(53,078,570)	(52,850,538)	(228,032)
Net Property, Plant and Equipment	<u>\$ 4,478,737</u>	<u>\$ 4,490,942</u>	<u>\$ 12,205</u>

DEBT ADMINISTRATION

The Authority had prepared by an actuary a 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, 2012 amounted to \$2,646,089 (principal of \$2,640,000 and interest of \$6,089).

More detailed information on the Authority's long-term debt liabilities is presented in note 7 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 principal and interest loan, including accrued interest, outstanding at December 31, 2012 amounted to \$604,363 (principal of \$593,451 and interest of \$10,912). The principal only loan, outstanding at December 31, 2012 amounted to principal of \$620,000.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

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 various capital improvement projects primarily funded through the NJEIT. The Authority has applied for an NJEIT loan in the amount of approximately \$420,000 to acquire a sewer service vehicle truck. The application is in process at the NJEIT.

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 Kedzie Boulevard, Secaucus, New Jersey 07094.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Statements of Net Assets

As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>	<u>Total</u>	<u>Total</u>
Current Assets:		
Cash and Cash Equivalents	\$ 3,018,936	\$ 2,674,695
Accounts Receivable	-	43,170
Other Receivable	-	1,504
Loan Receivable	126,935	325,859
Total Current Assets	<u>3,145,871</u>	<u>3,045,397</u>
Property, Plant and Equipment:		
Property, Plant and Equipment	57,557,307	57,341,480
Less Accumulated Depreciation	<u>(53,078,570)</u>	<u>(52,850,538)</u>
Total Property, Plant and Equipment	<u>4,478,737</u>	<u>4,490,942</u>
Other Assets		
Deferred Financing Costs	309,520	309,520
Less: Accumulated Amortization	<u>(219,582)</u>	<u>(201,255)</u>
Total Other Assets	<u>89,938</u>	<u>108,265</u>
Total Assets	<u>\$ 7,714,546</u>	<u>\$ 7,644,604</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Statements of Net Assets

As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
	<u>Total</u>	<u>Total</u>
<u>Liabilities and Net Assets (Deficit)</u>		
Current Liabilities:		
Accounts Payable	\$ 239,925	\$ 373,327
Payroll Related Payables	146,184	143,152
Accrued Interest Payable	17,001	18,184
Compensated Absences	99,056	101,843
Deferred Revenue	536,223	538,719
Escrow Payable	46,233	66,694
Bonds and Loans Payable	561,909	554,909
Total Current Liabilities	<u>1,649,530</u>	<u>1,797,128</u>
Noncurrent Liabilities:		
Postemployment Benefits other than Pensions	1,431,688	1,030,980
Bonds and Loans Payable	3,288,542	3,853,451
Total Noncurrent Liabilities	<u>4,720,230</u>	<u>4,884,431</u>
Total Liabilities	6,369,760	6,681,559
Net Assets:		
Invested in Capital Assets, Net of Related Debt	625,286	82,582
Restricted	582,165	739,490
Unrestricted	137,335	140,973
Total Net Assets:	<u>1,344,786</u>	<u>963,045</u>
Total Liabilities and Net Assets	<u>\$ 7,714,546</u>	<u>\$ 7,644,604</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
	<u>Total</u>	<u>Total</u>
Operating Revenues:		
Revenue from Town of Secaucus	\$ 3,032,626	\$ 3,303,609
Sewer Connection/User Fees	<u>633,066</u>	<u>507,376</u>
Total Operating Revenues	<u>3,665,692</u>	<u>3,810,985</u>
Operating Expenses:		
Administrative and General	513,113	441,209
Cost of Providing Services	2,725,736	2,847,120
Post employment benefits other than pensions	<u>400,708</u>	<u>601,140</u>
Total Operating Expenses	<u>3,639,557</u>	<u>3,889,469</u>
Excess Expenses over Revenue From Operations:	<u>26,135</u>	<u>(78,484)</u>
Non Operating Income and (Expenses):		
Revenue Debt Service	688,093	216,780
Interest and Miscellaneous Income	30,122	10,036
Interest Expense	(116,250)	(119,481)
Depreciation and Amortization	<u>(246,359)</u>	<u>(398,753)</u>
Total Non Operating Income (Expenses)	<u>355,605</u>	<u>(291,418)</u>
Change in Net Assets	381,741	(369,902)
Beginning Net Assets, January 1	<u>963,045</u>	<u>1,332,947</u>
Ending Net Assets, December 31	<u>\$ 1,344,786</u>	<u>\$ 963,045</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flow From Operating Activities		
Receipts from Customers, Users and Town	\$ 3,706,375	\$ 4,063,320
Payments to Suppliers	(2,145,936)	(2,122,729)
Payments to Employees	(1,224,706)	(1,138,096)
Net Cash Provided (Used) by Operating Activities	<u>335,733</u>	<u>\$02,495</u>
Cash Flow From Capital and Related Financing Activities		
Receipts from Town	688,093	216,780
Other Income	26,972	7,940
Proceeds from NJET	198,923	507,782
Purchase and Cost of Facilities	(215,827)	(1,278,163)
Financing Costs	-	(7,154)
Loan Payment	(59,909)	(59,909)
Escrow Refunds	(20,461)	(12,910)
Bond Escrow / Principal Payments	(495,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>122,791</u>	<u>(625,634)</u>
Cash Flow From Investing Activities		
Interest Received	3,150	2,096
Interest Expense	(117,433)	(120,235)
Net Cash Provided (Used) by Investing Activities	<u>(114,283)</u>	<u>(118,139)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>144,241</u>	<u>58,722</u>
Cash and Equivalents at Beginning of Year	<u>2,674,695</u>	<u>2,615,973</u>
Cash and Equivalents at End of Year	<u>\$ 3,018,936</u>	<u>\$ 2,674,695</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Excess of Revenues Over Expenses/ Excess of (Expenses) Over Revenues	\$ 26,135	\$ (78,484)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivables	\$ 44,843	\$ 19,948
Increase (Decrease) in:		
Accounts Payables	(153,402)	21,886
Payroll Liabilities	2,732	11,654
Compensated Absences	(2,787)	(4,372)
Post Employment Benefits	400,708	601,140
Deferred Credits	(2,495)	230,723
Net Cash Provided (Used) by Operating Activities	<u>\$ 335,733</u>	<u>\$ 802,495</u>
Supplemental Disclosure		
Interest paid	<u>\$ 116,250</u>	<u>\$ 119,481</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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. Under the bond indenture of 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.

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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

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" which supplements GASB Statement No. 34.

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.
- * 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 not to apply to its proprietary activities to Financial Accounting Standards Board statements and interpretations, accounting principles, Board opinions and accounting research bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

- * Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

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.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

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. 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.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

3. Cash and cash equivalents (continued)

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

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Checking accounts	\$2,834,344	\$1,338,070
Fund comprised of U.S.		
Government obligations	184,392	592,718
Savings account (Escrow)	-	743,707
Petty cash	<u>200</u>	<u>200</u>
Total	<u>\$3,018,936</u>	<u>\$2,674,695</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 CUDPA or in a qualified investment established in New Jersey Statutes 40A:5-15.1 that are treated as cash equivalents.

4. Bond Refunding:

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 (in addition to operating revenue) \$1,615,000 aggregate principal amount of the Authority's outstanding 2003A Refunding Bonds maturing on December 1, 2010; refund \$275,000 aggregate principal amount of the Authority's outstanding 2003A Refunding Bonds maturing on December 1, 2011; refund \$1,235,000 aggregate principal amount of the Authority's outstanding 2003B Refunding Bonds maturing on December 1, 2010; refund \$285,000 aggregate principal amount of the Authority's outstanding 2003B Refunding Bonds maturing on December 1, 2011 and to pay costs of issuance of the 2010 Bonds.

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.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

4. Bond Refunding (Continued):

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 15th 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

4. **Bond Refunding (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.

5. **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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

3. 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

5. 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 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

5. 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

5. 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

5. 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

5. 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

5. 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

5. 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2012 AND 2011

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

The Authority received \$2,729,623 for projects in the ARRA/NJEIT loan program. 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 in 2010. 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>
2013	34,909	-	34,909
2014	34,909	-	34,909
2015	34,909	-	34,909
2016	34,909	-	34,909
2017-2029	<u>453,815</u>	<u>-</u>	<u>453,815</u>
Total	<u>\$ 593,451</u>	<u>-</u>	<u>\$ 593,451</u>

Loan payable – Trust (Principal and Interest)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
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	30,000	22,275	2,010	54,285
2017-2029	<u>510,000</u>	<u>152,100</u>	<u>26,130</u>	<u>688,230</u>
Total	<u>\$ 620,000</u>	<u>\$ 249,450</u>	<u>\$ 40,022</u>	<u>\$ 909,479</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

7. **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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

7. 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.

8. 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

8 Pension Plan (Continued):

Vesting and Benefit Provision

Depending on when employees were hired, vesting will occur after 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 6.50% increasing to 7.5% over a 7 year period. 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, 2012 and 2011 were \$134,247 and \$130,190 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, 2012 and December 31, 2011 was \$99,056 and \$101,843 respectively.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

9. **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.

10. **Deferred Revenue:**

The balance of \$536,223 at December 31, 2012 and \$538,719 at December 31, 2011, respectively represents connection and user fee receipts (including accounts receivable) in the current year to be treated as revenue in the subsequent year.

11. **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%.

12. **Unrestricted and Restricted Net Assets:**

The Authority's unrestricted and restricted net assets account balances at December 31, 2012 are as follows:

	<u>Unrestricted Net Assets</u>	<u>Restricted Net Assets</u>	<u>Invested in Net Assets</u>
Balance, 1/1/2012	\$ 140,973	\$ 739,490	\$ 83,582
Year ended December 31, 2012:			
Net income (Loss)	55,948	325,793	-
Capital assets purchased	(59,586)	(156,241)	215,827
Loan principal paid - NJEIT	-	(554,909)	554,909
Depreciation expense	-	228,032	(228,032)
	<u>(3,638)</u>	<u>(157,325)</u>	<u>542,704</u>
Balance, 12/31/2012	<u>\$ 137,335</u>	<u>\$ 582,165</u>	<u>\$ 625,286</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2012 AND 2011

13. 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, 2011 to December 31, 2015.

The Authority has issued numerous notices of violation with fines against Toscana, LLC, a cheese manufacturer located in Secaucus. These violations are for discharging excessive CBOD and TSS. The Authority is actively enforcing these violations in order to get the facility into compliance with the Authority's Sewer Use Rules. The parties are presently involved in active negotiation to reach an amicable settlement.

14. 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>
12/01/2013	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
Total	<u>\$ 2,640,000</u>		

Principal and interest for the bonds is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>
Total	<u>\$ 2,640,000</u>	<u>\$ 244,565</u>	<u>\$ 2,884,565</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2012 AND 2011

15. Bonds and loans payable

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

	NJETT		2010				
	<u>Loan payable –</u>	<u>Loan payable – Trust</u>			<u>Bonds</u>		
	<u>(Principal Only)</u>	<u>(Principal and Interest)</u>					
<u>Year</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	34,909	30,000	22,775	2,010	540,000	37,086	666,780
2017-29	453,815	510,000	151,600	26,130	555,000	19,480	1,716,025
Total	\$593,451	\$620,000	\$249,450	\$40,022	\$2,640,000	\$244,565	\$4,387,495

16. 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 2012</u>
Annual service cost	\$ 236,949
Amortization of unfunded accrued liability	120,465
Interest on net OPEB obligation	51,549
Adjustment on ARC	<u>0</u>
Total before contributions made	408,963
Contributions made, 12/31/2012	<u>(8,255)</u>
Net OPEB Expense Cost, 12/31/2012	\$ 400,708

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2011 AND 2010

15. 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 20121 fiscal year is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Net OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost – Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
December 2011	\$ 601,140	N/a	\$1,030,980
December 2012	\$ 400,709	N/a	\$1,431,688

Funded Status and Funding Progress

As of January 1, 2012, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$4,236,301, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAAL) of \$4,236,301.

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 \$5,354,684 or by 26.4% and the corresponding Service Cost would increase to \$308,508 by 30.2%.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

16. 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:

Year	Medical
December-13	8%
December-14	7%
December-15	6%
December-16	5%
December-16	5%

- 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: 28 years at January 1, 2012

17. Subsequent Events:

The Authority has evaluated events through May 30, 2013, the date on which the financial statements were available to be issued.

18. Bond Costs:

Bond costs relating to the issuance of 2010 bonds are being amortized over 7 years. The following is a summary of the changes in bonds costs for the year ended December 31, 2012 and 2011:

	December-12	December-11
Bond Costs	\$ 309,520	\$ 309,520
Accumulated Ammortization	(219,582)	(201,255)
Net Book Value	\$ 89,938	\$ 108,265

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2012 AND 2011

19. 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 for which the Authority purchases commercial insurance. During the year ended December 31, 2012, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues.

During the year ended December 31, 2012, the Authority did not reduce insurance coverage's from coverage levels in place as of December 31, 2011. No settlements have exceeded coverage levels in place during 2010, 2011, and 2012.

20. Property, Plant and Equipment

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2012 and 2011:

	January-12	Additions	Transfer	December-12
Land	\$ 659,377	\$ -	\$ -	\$ 659,377
Property, plant and equipment	56,183,825	159,468	-	56,343,293
Furniture, fixtures and equipment	269,308	5,223	-	274,531
Vehicles	228,970	51,136	-	280,106
Total Fixed Assets	57,341,480	215,827	-	57,557,307
Accumulated Depreciation	(52,850,538)	(228,032)	-	(53,078,570)
Net Book Value	\$ 4,490,942	\$ (12,205)	\$ -	\$ 4,478,737

	January-11	Additions	Transfer	December-12
Land	\$ 659,377	\$ -	\$ -	\$ 659,377
Property, plant and equipment	55,970,072	213,753	-	56,183,825
Furniture, fixtures and equipment	236,963	32,345	-	269,308
Vehicles	228,970	-	-	228,970
Total Fixed Assets	57,095,382	246,098	-	57,341,480
Accumulated Depreciation	(52,636,239)	(214,299)	-	(52,850,538)
Net Book Value	\$ 4,459,143	\$ 31,799	\$ -	\$ 4,490,942

Depreciation expense for the years December 31, 2012 and 2011 was \$228,032 and \$214,299. Depreciation increased from 2011 to 2012 based on new acquisitions in fixed assets.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule Of Operating Expenses Compared To Budget

Year Ended December 31, 2012

	2012 Budget	2012 Actual	Over (Under)	2011 Budget
Operating Appropriations:				
Administration:				
Salaries and wages	\$ 245,100	237,325	7,777	249,090
Fringe benefits	148,300	115,256	32,944	187,200
Telephone	6,000	3,382	2,618	6,000
Trustee fees / charges	37,000	7,335	29,665	36,873
Legal fees	100,000	18,617	81,383	100,000
Accounting and auditing	42,000	41,500	500	42,000
Office, stationery, postage and miscellaneous	48,000	30,354	17,646	15,000
Seminars, conventions and travel	25,000	29,346	(4,346)	25,000
	<u>651,300</u>	<u>513,113</u>	<u>138,187</u>	<u>594,163</u>
Cost of Providing Services:				
Salaries and wages	1,044,900	987,383	57,517	1,013,910
Fringe benefits	631,800	491,355	140,445	692,800
Electricity and gas	340,000	246,140	93,860	325,000
Water	12,000	11,344	656	12,000
Chemicals	90,000	78,902	11,098	90,000
Maintenance supplies and expenses	80,000	81,485	(1,485)	75,000
Engineering	80,000	28,966	51,034	80,000
Repairs and maintenance	160,000	199,815	(39,815)	150,870
Sludge disposal	275,000	234,639	40,361	245,000
Testing fees	55,000	37,483	17,517	55,000
Insurance	112,000	98,447	13,553	110,000
Laboratory expenses	16,000	12,803	3,197	16,000
Permits	32,000	41,138	(9,138)	30,000
Garbage disposal	38,400	37,500	900	38,400
Uniforms	23,100	17,650	5,450	23,100
Sanitary sewer repairs	165,000	34,689	130,311	165,000
Capital purchases	150,000	59,586	90,414	150,000
	<u>3,305,200</u>	<u>2,785,322</u>	<u>519,878</u>	<u>3,278,080</u>
Total Operating Appropriations	<u>3,956,500</u>	<u>3,298,435</u>	<u>658,065</u>	<u>3,872,243</u>

See auditor's report.

BECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Revenue Compared to Budget

Year Ended December 31, 2012

	2012 <u>Budget</u>	2012 <u>Actual</u>	Over <u>(Under)</u>
Revenue:			
Service Agreements	\$ 3,720,719	3,720,719	\$ -
Interest on Investments and Misc. Income	15,000	30,122	15,122
Connection and User Fees	650,000	633,066	(16,934)
Total Revenues	\$ <u>4,385,719</u>	\$ <u>4,383,907</u>	\$ <u>(1,812)</u>

See auditor's report.

SECSDUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Bonds Payable

Year Ended December 31, 2012

2010 SERIES

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	505,000	73,064	578,064
2014	515,000	63,570	578,570
2015	525,000	54,365	579,365
2016	540,000	37,086	577,086
2017	555,000	19,480	574,480
<u>\$</u>	<u>2,640,000</u>	<u>\$ 244,565</u>	<u>\$ 2,884,565</u>

See auditor's report

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Loans Payable

Year Ended December 31, 2012

NAJIT

SERIES 2010A Fund Loan (Principal Only)

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	34,909	-	34,909
2014	34,909	-	34,909
2015	34,909	-	34,909
2016	34,909	-	34,909
2017	34,909	-	34,909
2018	34,909	-	34,909
2019	34,909	-	34,909
2020	34,909	-	34,909
2021	34,909	-	34,909
2022	34,909	-	34,909
2023	34,909	-	34,909
2024	34,909	-	34,909
2025	34,909	-	34,909
2026	34,909	-	34,909
2027	34,509	-	34,509
2028	34,909	-	34,909
2029	34,907	-	34,907
\$	593,451	\$	-
\$		\$	593,451

SERIES 2010A Trust Loan

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	25,000	36,275	51,275
2014	25,000	35,025	50,025
2015	30,000	23,775	53,775
2016	30,000	22,275	52,275
2017	30,000	20,775	50,775
2018	30,000	19,275	49,275
2019	35,000	17,775	52,775
2020	35,000	16,375	51,375
2021	35,000	14,625	49,625
2022	40,000	13,575	53,575
2023	40,000	11,975	51,975
2024	40,000	10,375	50,375
2025	40,000	8,775	48,775
2026	45,000	7,175	52,175
2027	45,000	5,600	50,600
2028	45,000	3,800	48,800
2029	50,000	2,000	52,000
\$	620,000	\$	249,450
\$		\$	869,450

See auditor's report

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Fixed Assets

Year Ended December 31, 2012

Balance, January 1, 2012	\$ 57,341,480
Additions	<u>215,827</u>
Balance, December 31, 2012	\$ <u><u>57,557,307</u></u>

(See auditor's report.)

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Accounts Receivable - Connection and User Fees

Year Ended December 31, 2012

	<u>Totals</u>
Balance, January 1, 2012	\$ 43,179
Increased by:	
Revenue - December 31, 2012	633,066
Deferred revenue - December 31, 2012	<u>536,223</u>
	1,169,289
Less; Cash Received - 2012	673,742
Deferred revenue - January 1, 2012	<u>538,719</u>
	1,212,468
Balance, December 31, 2012	\$ <u>0</u>

See auditor's report.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2012 AND 2011

NONE