

**SECAUCUS MUNICIPAL UTILITIES
AUTHORITY**

**Financial Statements and Supplementary
Information
December 31, 2013 and 2012**

TABLE OF CONTENTS

<u>Page</u>		<u>Schedule</u>
INTRODUCTORY SECTION:		
1	Roster of Officials	
FINANCIAL SECTION		
2-4	Independent Auditor's Report	
5-10	Management's Discussion and Analysis	
FINANCIAL STATEMENTS:		
11-12	Statements of Net Position	
13	Statements of Activities and Changes in Net Position	
14	Statements of Cash Flows	
15-39	Notes to Financial Statements	
SUPPLEMENTARY INFORMATION:		
40	Schedule of Operating Expenses Compared to Budget	1
41	Schedule of Revenue Compared to Budget	2
42	Schedule of Bonds Payable	3
43	Schedule of Loans Payable – Series 2010	4
44	Schedule of Loans Payable – Series 2013	5
45	Schedule of Fixed Assets	6
46	Schedule of Accounts Receivable - Connection and User Fees	7
47-48	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	
49	Schedule of Findings and Questioned Costs	
50	Summary Schedule of Prior Audit Finding	

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

**ROSTER OF OFFICIALS
DECEMBER 31, 2013**

<u>Authority Members</u>	<u>Title</u>
<u>Commissioners</u>	
Fred Vogel	Chairman
Guy Pascarello	Vice-Chairman
Maribel Anota	Secretary
Jorge Cardenas	Treasurer
George Schoenrock	Assistant Secretary
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

INTRODUCTORY 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 position as of December 31, 2013 and 2012, and the related statements of activities, changes in net position 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, 2013 and 2012, and the respective changes in net position, 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 5 through 10 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.

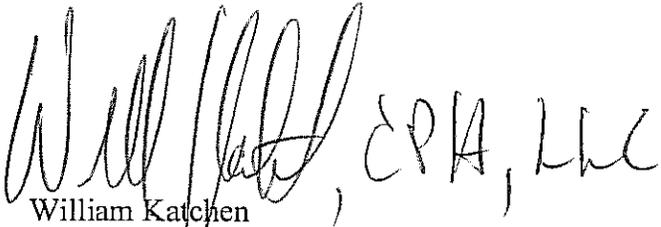
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Secaucus Municipal Utilities Authority's basic financial statements. The accompanying supplementary information on pages 40 through 46 is presented for purposes of additional analysis 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 28, 2014 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 Katchen
Certified Public Accountant, LLC
May 28, 2014

FINANCIAL SECTION

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013 and 2012

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, 2013 and 2012. 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 Position 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 Activities and changes in net position. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through 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 Activities and Changes in Net Position (deficit) report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those positions. The Authority's net position 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 position 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 Position is presented in the following table:

Condensed Statement of Net Position

	<u>FY</u> <u>2013</u>	<u>FY</u> <u>2012</u>	<u>Dollar</u> <u>Change</u>
Current and other Assets	\$3,386,932	\$3,235,809	\$ 151,123
Capital Assets, net	<u>4,783,938</u>	<u>4,478,737</u>	<u>305,201</u>
Total Assets	<u>8,170,870</u>	<u>7,714,546</u>	<u>456,324</u>
Debt Outstanding	3,600,216	3,853,451	253,235
Other Liabilities	<u>2,382,378</u>	<u>2,516,310</u>	<u>133,932</u>
Total Liabilities	<u>5,982,594</u>	<u>6,369,761</u>	<u>387,166</u>
Total Net Position	<u>\$2,188,276</u>	<u>\$1,344,786</u>	<u>\$ 843,490</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

A condensed version of the Authority's Statement of Activities and changes in Net Position is presented in the following table:

Condensed Statement of Activities and Changes in Net Position

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>
Operating Revenues	\$3,964,049	\$3,665,691	\$298,358
Non-Operating Revenue	<u>774,408</u>	<u>718,215</u>	<u>56,193</u>
Total Revenues	4,738,457	4,383,906	354,551
Administrative and General Expense	532,548	513,113	(19,435)
Cost of Providing Services Expense	2,832,596	2,725,736	(106,860)
Depreciation, Amortization & Post Employment Benefit Expense	401,900	647,067	245,167
Non-Operating Expense	16,210	-	(16,210)
Interest Expense	<u>111,712</u>	<u>116,250</u>	<u>4,538</u>
Total Expenses	<u>3,894,966</u>	<u>4,002,166</u>	<u>107,199</u>
Changes in Net Position	<u>843,490</u>	<u>381,740</u>	<u>461,750</u>
Beginning Net Position	<u>1,344,785</u>	<u>963,045</u>	<u>381,740</u>
Ending Net Position	<u>\$2,188,275</u>	<u>\$1,344,785</u>	<u>\$ 843,490</u>

While the Statement of Net Position shows the change in financial position of net position, the Statement of Activities and changes in Net Position provides answers as to the nature and source of these changes. As noted in the above table, net position increased by \$843,490 at December 31, 2013.

The Authority's total revenue increased by \$354,551 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 2013 budget to actual comparison:

	Budget Vs. Actual FY2013		
<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operations	\$3,634,200	\$3,964,049	\$329,849
Non-Operating:	<u>705,894</u>	<u>774,408</u>	<u>68,514</u>
	4,340,094	4,738,457	398,363
Operating Expenses:			
Administration:			
Salaries and Wages	240,000	234,105	5,895
Fringe Benefits	134,000	109,523	24,477
Other Expenses	<u>253,700</u>	<u>188,920</u>	<u>64,780</u>
Total Administration	<u>627,700</u>	<u>532,548</u>	<u>95,152</u>
Cost of Providing Services:			
Salaries and Wages	1,010,000	998,032	11,968
Fringe Benefits	536,000	466,915	69,085
Other Expenses	1,475,500	1,367,649	107,851
Capital Purchase	<u>200,000</u>	<u>323,893</u>	<u>(123,893)</u>
Total Cost of Providing Services	<u>3,221,500</u>	<u>3,156,489</u>	<u>65,011</u>
Total Operating Expenses	<u>\$3,849,200</u>	<u>\$3,689,037</u>	<u>\$160,163</u>
Debt Service and Reserves:			
Repair and Replacement Reserve	5,750	15,750	-
Interest/Fees on Bonds and Loans	111,712	116,250	(4,538)
Bond and Loan	<u>572,957</u>	<u>554,909</u>	<u>18,048</u>
Total debt service	<u>\$ 700,419</u>	<u>\$ 686,909</u>	<u>\$(13,510)</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS

At the end of 2013, the Authority had invested \$58,174,471 in capital assets before an allowance for depreciation of \$53,390,533.

Capital Assets

	<u>FY</u> <u>2013</u>	<u>FY</u> <u>2012</u>	<u>Dollar</u> <u>Change</u>
Treatment Plant and Pumping Stations	\$ 57,292,240	\$ 57,002,670	\$ 289,570
Vehicles	284,996	280,106	4,890
Machinery, Equipment, Furniture and Fixtures	<u>597,235</u>	<u>274,531</u>	<u>322,704</u>
Total Property, Plant and Equipment	58,174,471	57,557,307	617,164
Less: Accumulated Depreciation	<u>(53,390,533)</u>	<u>(53,078,570)</u>	<u>(311,963)</u>
Net Property, Plant and Equipment	<u>\$ 4,783,938</u>	<u>\$ 4,478,737</u>	<u>\$ 305,201</u>

DEBT ADMINISTRATION

For 2012, 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. In 2013, the Authority began coverage through New Jersey State Health Benefits that does not require the preparation of an annual GASB 45 calculation.

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, 2013 amounted to \$2,140,289 (principal of \$2,135,000 and interest of \$5,298).

More detailed information on the Authority's long-term debt liabilities is presented in note 7 of the financial statements.

The Authority during 2010 and 2013 obtained four loans in the amount of \$1,676,263 from the New Jersey Environmental Infrastructure Trust. The first 2010 loan, in the amount of \$670,000, requires repayment of principal and interest. The second 2010 loan, in the amount of \$686,541, is principal only. The principal and interest loan, including accrued interest and administrative fees, outstanding at December 31, 2013 amounted to \$604,119 (principal of \$558,542, interest of \$36,702 and administrative fee of \$8,875). The principal only loan, outstanding at December 31, 2013 amounted to principal of \$595,000. The third loan, in the amount of \$82,305, requires repayment of principal and interest. The fourth loan, in the amount of \$237,417, is principal only. The principal and interest loan, including accrued interest and administrative fees, outstanding at December 31, 2013 amounted to \$87,190 (principal of \$82,305, interest of \$1,200 and administrative fees of \$3,685). The principal only loan, outstanding at December 31, 2013 amounted to principal of \$229,369.

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 received funding for one NJEIT loan in the amount of \$319,722 and acquired a sewer service vehicle truck. Capital projects awarded in December 2013 to begin in fiscal year 2014 include the purchase of a grinder at the north end pumping station and a primary clarifier phase II rehabilitation.

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

Statements of Net Position

As of December 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
	<u>Total</u>	<u>Total</u>
Current Assets:		
Cash and Cash Equivalents	\$ 3,141,544	\$ 3,018,936
Accounts Receivable - Connection Fees	93,920	-
Other Receivable	14,533	-
Loan Receivable	136,936	126,935
Total Current Assets	<u>3,386,932</u>	<u>3,145,871</u>
Property, Plant and Equipment:		
Property, Plant and Equipment	58,174,471	57,557,307
Less Accumulated Depreciation	(53,390,533)	(53,078,570)
Total Property, Plant and Equipment	<u>4,783,938</u>	<u>4,478,737</u>
Other Assets		
Deferred Financing Costs	-	309,520
Less: Accumulated Amortization	-	(219,582)
Total Other Assets	<u>-</u>	<u>89,938</u>
Total Assets	<u>8,170,870</u>	<u>7,714,546</u>
Deferred Outflow of Resources		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 8,170,870</u>	<u>\$ 7,714,546</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position

As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	<u>Total</u>	<u>Total</u>
<u>Liabilities and Net</u>		
<u>Position</u>		
Current Liabilities:		
Accounts Payable	\$ 512,353	\$ 239,925
Payroll Related Payables	159,314	146,184
Accrued Interest Payable	16,361	17,001
Compensated Absences	96,644	99,056
Deferred Revenue	146,006	536,223
Escrow Payable	20,012	46,232
Bonds and Loans Payable	590,763	564,909
Total Current Liabilities	<u>1,541,453</u>	<u>1,649,530</u>
Noncurrent Liabilities:		
Postemployment Benefits other than Pensions	1,431,688	1,431,688
Bonds and Loans Payable	3,009,453	3,288,542
Total Noncurrent Liabilities	<u>4,441,141</u>	<u>4,720,230</u>
Total Liabilities	5,982,594	6,369,760
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	1,183,722	625,286
Restricted	518,784	582,165
Unrestricted	485,770	137,335
Total Net Position:	<u>2,188,276</u>	<u>1,344,786</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 8,170,870</u>	<u>\$ 7,714,546</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Statements of Activities and Changes in Net Position

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	<u>Total</u>	<u>Total</u>
Operating Revenues:		
Revenue from Town of Secaucus	\$ ✓ 3,112,635	\$ 3,032,626
Sewer Connection/User Fees	✓ 851,414	633,066
Total Operating Revenues	<u>3,964,049</u>	<u>3,665,692</u>
Operating Expenses:		
Administrative and General	✓ 532,548	513,113
Cost of Providing Services	✓ 2,832,596	2,725,736
Post employment benefits other than pensions	-	400,708
Total Operating Expenses	<u>3,365,144</u>	<u>3,639,557</u>
Excess Revenue over Expenses From Operations:	<u>598,905</u>	<u>26,135</u>
Non Operating Income and (Expenses):		
Revenue Debt Service	✓ 700,419	688,093
Interest and Miscellaneous Income	✓ 73,988	30,122
Non Operating Expenses	✓ (16,210)	-
Interest Expense	✓ (111,712)	(116,250)
Depreciation and Amortization	(401,900)	(246,359)
Total Non Operating Income (Expenses)	<u>244,585</u>	<u>355,605</u>
Change in Net Position	843,490	381,740
Beginning Net Position, January 1	<u>1,344,786</u>	<u>963,046</u>
Ending Net Position, December 31	<u>\$ 2,188,276</u>	<u>\$ 1,344,786</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flow From Operating Activities		
Receipts from Customers, Users and Town	\$ 3,479,912	\$ 3,706,375
Payments to Suppliers	(1,875,112)	(2,145,936)
Payments to Employees and Payroll Taxes	(1,221,419)	(1,224,706)
Net Cash Provided by Operating Activities	<u>383,381</u>	<u>335,733</u>
Cash Flow From Capital and Related Financing Activities		
Receipts from Town	700,419	688,093
Other Income	70,985	26,972
Engineering and Administrative Costs	(16,210)	0
Proceeds from NJEIT	309,721	198,923
Capital Purchase and Construction	(617,164)	(215,827)
Loan Payments	(67,957)	(59,909)
Escrow Refunds	(26,221)	(20,461)
Bond Escrow / Principal Payments	(505,000)	(495,000)
Net Cash (Used) by Capital and Related Financing Activities	<u>(151,427)</u>	<u>122,791</u>
Cash Flow From Investing Activities		
Interest Received	3,006	3,150
Interest Expense	(112,352)	(117,433)
Net Cash (Used) by Investing Activities	<u>(109,346)</u>	<u>(114,283)</u>
Net Increase in Cash and Cash Equivalents	122,608	344,241
Cash and Equivalents at Beginning of Year	<u>3,018,936</u>	<u>2,674,695</u>
Cash and Equivalents at End of Year	<u>\$ 3,141,544</u>	<u>\$ 3,018,936</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Excess of Revenues Over Expenses/ Excess of (Expenses) Over Revenues	\$ 598,905	\$ 26,135
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operative Activities:		
(Increase) Decrease in:		
Accounts Receivables	\$ (93,920)	\$ 44,843
Other Receivable	(14,533)	0
Increase (Decrease) in:		
Accounts Payables	272,428	(133,402)
Payroll Liabilities	13,130	2,732
Compensated Absences	(2,412)	(2,787)
Post Employment Benefits	0	400,708
Deferred Credits	(390,217)	(2,496)
Net Cash Provided (Used) by Operating Activities	<u>\$ 383,381</u>	<u>\$ 335,733</u>
Supplemental Disclosure		
Interest paid	<u>\$ 111,712</u>	<u>\$ 116,250</u>

See accompanying notes to financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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.

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, 2013 AND 2012

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 position, a statement of revenue, expenses and changes in net position, 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 position into three components: invested in capital assets, net of related debt, restricted net position and unrestricted net position. These classifications are defined as follows:

- * Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- * Restricted - This component of net position consists of constraints placed on net position 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 position - This component of net position 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 position 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, 2013 AND 2012**

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, 2013 AND 2012**

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, 2013 AND 2012**

3. Cash and cash equivalents (continued)

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

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Checking accounts	\$2,051,654	\$2,834,344
Fund comprised of U.S. Government obligations	1,089,690	184,392
Petty cash	<u>200</u>	<u>200</u>
Total	<u>\$3,141,544</u>	<u>\$3,018,936</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.

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, 2013 AND 2012**

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, 2013 AND 2012**

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, 2013 AND 2012**

5. 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, 2013 AND 2012**

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, 2013 AND 2012**

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, 2013 AND 2012**

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 it's 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, 2013 AND 2012**

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, 2013 AND 2012**

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, 2013 AND 2012**

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, 2013 AND 2012**

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, 2013 AND 2012**

6. State of New Jersey Grant and NJEIT Loan

The Authority received \$1,676,263 in loans for projects from the New Jersey Environmental Infrastructure Trust in 2010 and 2013. Following is the corresponding principal, interest and fees schedule for each loan.

2010 Series loan payable – fund (Principal Only)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	34,909	-	34,909
2015	34,909	-	34,909
2016	34,909	-	34,909
2017	34,909	-	34,909
2018-2029	<u>418,906</u>	<u>-</u>	<u>418,906</u>
Total	<u>\$ 558,542</u>	<u>-</u>	<u>\$ 558,542</u>

2010 loan payable – trust (Principal and Interest)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
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	30,000	20,775	2,010	52,785
2018-2029	<u>480,000</u>	<u>144,875</u>	<u>25,124</u>	<u>649,999</u>
Total	<u>\$ 595,000</u>	<u>\$ 236,725</u>	<u>\$ 35,591</u>	<u>\$ 867,316</u>

2013 Series loan payable – (Principal Only)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	12,072	-	12,072
2015	12,072	-	12,072
2016	12,072	-	12,072
2017	12,072	-	12,072
2018-2032	<u>181,081</u>	<u>-</u>	<u>181,081</u>
Total	<u>\$ 229,369</u>	<u>-</u>	<u>\$ 229,369</u>

2013 Series - loan payable – (Principal and Interest)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2014	3,782	1,793	1,038	6,613
2015	3,791	1,784	1,038	6,613
2016	3,804	1,770	1,038	6,613
2017	3,826	1,749	643	6,218
2018-2032	<u>67,102</u>	<u>16,513</u>	<u>3,704</u>	<u>87,319</u>
Total	<u>\$ 82,305</u>	<u>\$ 23,609</u>	<u>\$ 7,461</u>	<u>\$ 113,375</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

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, 2013 and 2012 were \$140,426 and \$134,247, 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, 2013 and December 31, 2012 was \$96,644 and \$99,056 respectively.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012**

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 \$146,006 at December 31, 2013 and \$536,223 at December 31, 2012, 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 an Inter-local Agreement with the Town of Secaucus. The shared services included plumbing, carpentry and painting. In 2013, the shared services also included purchasing.

12. Unrestricted and Restricted Net Position:

The Authority's unrestricted and restricted net position account balances at December 31, 2013 are as follows:

	Unrestricted <u>Net Position</u>	Restricted <u>Net Position</u>	Invested <u>in Capital Assets</u>
Balance, 1/1/2013	\$ 137,335	\$ 582,165	\$ 625,286
Year ended December 31, 2013:			
Net income (Loss)	672,328	171,162	-
Capital assets purchased	(323,893)	(293,271)	617,164
Principal payments on bonds and loans	-	(572,957)	572,957
Loan proceeds	-	319,722	(319,722)
Depreciation expense	<u>-</u>	<u>311,963</u>	<u>(311,963)</u>
	<u>348,435</u>	<u>(63,381)</u>	<u>558,436</u>
Balance, 12/31/2013	<u>\$ 485,770</u>	<u>\$ 518,784</u>	<u>\$1,183,722</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012**

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>
12/01/2014	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>\$2,135,000</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>
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>\$2,135,000</u>	<u>\$171,501</u>	<u>\$2,306,501</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012**

15. Loans payable

The Authority's outstanding loans are stated as follows:

2010 Series – (Principal Only)	2010 Series		NJEIT		2013 Series		2013 Series		Total
	(Principal Only)	(Principal/Interest)	(Principal)	(Principal)	(Principal/Interest)	(Principal/Interest)	(Principal/Interest)	(Principal/Interest)	
Year	Principal	Principal	Interest	Fees	Principal	Principal	Interest	Fees	
2014	34,909	25,000	25,025	4,437	12,072	3,782	1,793	1,038	108,056
2015	34,909	30,000	23,775	2,010	12,072	3,791	1,784	1,038	109,379
2016	34,909	30,000	22,275	2,010	12,072	3,804	1,770	1,038	107,878
2017	34,909	30,000	20,775	2,010	12,072	3,826	1,749	643	105,984
2018-32	418,906	480,000	144,875	25,124	181,081	67,102	16,513	3,704	1,337,305
Total	<u>\$558,542</u>	<u>\$595,000</u>	<u>\$236,725</u>	<u>\$35,591</u>	<u>\$229,369</u>	<u>\$82,305</u>	<u>\$23,609</u>	<u>\$7,461</u>	<u>1,768,602</u>

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 ended December 31, 2012, 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	 <u>\$ 400,708</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

16. 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 2012 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 2012	\$ 400,708	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 (UAAL) 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%.

In 2013, the Authority participates in the New Jersey State Health Benefits Program “the SBBP”, which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012**

16. Other Post Employment Benefits (continued):

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with labor agreements if they have twenty-five or more years enrolled in the pension system.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The SHBP is established under the authority of N.J.S.A 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following approximated the required contributions:

<u>Year</u>	<u>Amount</u>
2013	\$13,107 (One Retiree)

17. Subsequent Events:

The Authority has evaluated events through May 28, 2014, the date on which the financial statements were available to be issued.

18. Change in Accounting Principle:

The Authority adopted GASB 65 "Items previously Reported as Assets and Liabilities" for the fiscal year ended December 31, 2013. The Authority had previously accounted for 2010 bond issuance costs as an asset as defined by GASB Concepts Statement No. 4, and had maintained records that are adequate to apply GASB 65 retrospectively. GASB requires that bond issuance costs be reported as an outflow of resources in the period in which they are realized. The effects of the change in accounting principles is that assets and unrestricted net position decreased by \$89,938.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

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, 2013, 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, 2013, 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 2011, 2012, and 2013.

20. Property, Plant and Equipment:

Below is a schedule of changes in fixed assets for the years ending December 31, 2013 and 2012:

	January-13	Additions	Transfer	December-13
Land	\$ 659,377	\$ -	\$ -	\$ 659,377
Property, plant and equipment	56,343,293	289,571	-	56,632,864
Furniture, fixtures and equipment	274,531	322,703	-	597,234
Vehicles	280,106	4,890	-	284,996
Total Fixed Assets	57,557,307	617,164	-	58,174,471
Accumulated Depreciation	(53,078,570)	(311,963)	-	(53,390,533)
Net Book Value	<u>\$ 4,478,737</u>	<u>\$ 305,201</u>	<u>\$ -</u>	<u>\$ 4,783,938</u>
	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	<u>\$ 4,490,942</u>	<u>\$ (12,205)</u>	<u>\$ -</u>	<u>\$ 4,478,737</u>

Depreciation expense for the years December 31, 2013 and 2012 was \$311,963 and \$228,032. Depreciation increased from 2013 to 2012 based on new acquisitions in fixed assets.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule Of Operating Expenses Compared To Budget

Year Ended December 31, 2013

	2013 <u>Budget</u>	2013 <u>Actual</u>	Over <u>(Under)</u>	2012 <u>Budget</u>
Operating Appropriations:				
Administration:				
Salaries and wages	\$ 240,000	234,105	5,895	245,100
Fringe benefits	134,000	109,523	24,477	148,200
Telephone	6,000	5,397	603	6,000
Trustee fees	37,700	7,000	30,700	37,000
Legal fees	100,000	74,386	25,614	100,000
Accounting and auditing	42,000	41,800	200	42,000
Office, stationary, postage and miscellaneous	48,000	35,267	12,733	48,000
Seminars, conventions and travel	20,000	25,070	(5,070)	25,000
	<u>627,700</u>	<u>532,548</u>	<u>95,152</u>	<u>651,300</u>
Cost of Providing Services:				
Salaries and wages	1,010,000	998,032	11,968	1,044,900
Fringe benefits	536,000	466,915	69,085	631,800
Electricity and gas	325,000	254,699	70,301	340,000
Water	13,000	41,683	(28,683)	12,000
Treatment chemicals	90,000	76,623	13,377	90,000
Supplies and equipment	85,000	79,730	5,270	80,000
Engineering	80,000	125,005	(45,005)	80,000
Repairs and maintenance	160,000	152,088	7,912	160,000
Sludge disposal	285,000	263,801	21,199	275,000
Testing fees	50,000	38,947	11,053	55,000
Insurance	100,000	103,214	(3,214)	112,000
Laboratory expenses	16,000	18,503	(2,503)	16,000
Permits	45,000	38,423	6,577	32,000
Garbage disposal	38,400	40,625	(2,225)	38,400
Uniforms	23,100	24,544	(1,444)	23,100
Sanitary sewer repairs	165,000	109,764	55,236	165,000
Capital purchases	200,000	323,893	(123,893)	150,000
	<u>3,221,500</u>	<u>3,156,489</u>	<u>65,011</u>	<u>3,305,200</u>
Total Operating Expenses:	<u>3,849,200</u>	<u>3,689,037</u>	<u>160,163</u>	<u>3,956,500</u>

See Independent Auditor's Report.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Revenue Compared to Budget

Year Ended December 31, 2013

	2013 <u>Budget</u>	2013 <u>Actual</u>	Over <u>(Under)</u>
Revenue:			
Service Agreements	\$ 3,913,054	3,813,054	\$ (100,000)
Interest on Investments and Misc. Income	15,000	73,988	58,988
Connection and User Fees	<u>412,040</u>	<u>851,414</u>	<u>439,374</u>
Total Revenues	<u>\$ 4,340,094</u>	<u>\$ 4,738,456</u>	<u>\$ 398,362</u>

See Independent Auditor's Report.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Bonds Payable

Year Ended December 31, 2013

2010 SERIES

YEAR	PRINCIPAL	INTEREST	TOTAL
2014	515,000	63,570	578,570
2015	525,000	51,365	576,365
2016	540,000	37,086	577,086
2017	555,000	19,480	574,480
2018			
	<u>\$ 2,135,000</u>	<u>\$ 171,501</u>	<u>\$ 2,306,501</u>

See Independent Auditor's Report

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Loans Payable

Year Ended December 31, 2013

				NJFIT				
SERIES 2010A Fund Loan (Principal Only)					SERIES 2010A Trust Loan			
YEAR	PRINCIPAL	INTEREST	TOTAL		YEAR	PRINCIPAL	INTEREST	TOTAL
2014	34,909	-	34,909		2014	25,000	25,025	50,025
2015	34,909	-	34,909		2015	30,000	23,775	53,775
2016	34,909	-	34,909		2016	30,000	22,275	52,275
2017	34,909	-	34,909		2017	30,000	20,775	50,775
2018	34,909	-	34,909		2018	30,000	19,275	49,275
2019	34,909	-	34,909		2019	35,000	17,775	52,775
2020	34,909	-	34,909		2020	35,000	16,375	51,375
2021	34,909	-	34,909		2021	35,000	14,625	49,625
2022	34,909	-	34,909		2022	40,000	13,575	53,575
2023	34,909	-	34,909		2023	40,000	11,975	51,975
2024	34,909	-	34,909		2024	40,000	10,375	50,375
2025	34,909	-	34,909		2025	40,000	8,775	48,775
2026	34,909	-	34,909		2026	45,000	7,175	52,175
2027	34,909	-	34,909		2027	45,000	5,600	50,600
2028	34,909	-	34,909		2028	45,000	3,800	48,800
2029	34,907	-	34,907		2029	50,000	2,000	52,000
	<u>\$ 558,542</u>	<u>\$ -</u>	<u>\$ 558,542</u>			<u>\$ 595,000</u>	<u>\$ 223,175</u>	<u>\$ 818,175</u>

See Independent Auditor's Report.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Loans Payable

Year Ended December 31, 2013

				NJFIT				
SERIES 2013 Loan (Principal Only)					SERIES 2013 Loan (Principal and Interest)			
YEAR	PRINCIPAL	INTEREST	TOTAL		YEAR	PRINCIPAL	INTEREST	TOTAL
2014	12,072	-	12,072		2014	3,782	1,793	5,575
2015	12,072	-	12,072		2015	3,791	1,783	5,574
2016	12,072	-	12,072		2016	3,804	1,770	5,574
2017	12,072	-	12,072		2017	3,826	1,749	5,575
2018	12,072	-	12,072		2018	3,856	1,719	5,575
2019	12,072	-	12,072		2019	3,896	1,678	5,574
2020	12,072	-	12,072		2020	3,950	1,625	5,575
2021	12,072	-	12,072		2021	4,015	1,559	5,574
2022	12,072	-	12,072		2022	4,092	1,483	5,575
2023	12,072	-	12,072		2023	4,178	1,396	5,574
2024	12,072	-	12,072		2024	4,275	1,300	5,575
2025	12,072	-	12,072		2025	4,379	1,195	5,574
2026	12,072	-	12,072		2026	4,490	1,084	5,574
2027	12,072	-	12,072		2027	4,622	953	5,575
2028	12,072	-	12,072		2028	4,761	814	5,575
2029	12,072	-	12,072		2029	4,907	667	5,574
2030	12,072	-	12,072		2030	5,062	512	5,574
2031	12,072	-	12,072		2031	5,224	350	5,574
2032	12,072	-	12,072		2032	5,395	179	5,574
	<u>\$ 229,369</u>	<u>\$ -</u>	<u>\$ 229,369</u>			<u>\$ 82,305</u>	<u>\$ 23,609</u>	<u>\$ 105,914</u>

See Independent Auditor's Report.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Fixed Assets

Year Ended December 31, 2013

Balance, January 1, 2013	\$ 57,557,307
Additions	<u>617,164</u>
Balance, December 31, 2013	\$ <u><u>58,174,471</u></u>

See Independent Auditor's Report.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

Schedule of Accounts Receivable - Connection and User Fees

Year Ended December 31, 2013

	<u>Totals</u>
Balance, January 1, 2013	\$ 0
Increased by:	
Revenue - December 31, 2013	851,414
Deferred revenue - December 31, 2013	<u>146,006</u>
	997,420
Less: Cash Received - 2013	367,277
Deferred revenue - January 1, 2013	<u>536,223</u>
	903,500
Balance, December 31, 2013	<u>\$ 93,920</u>

See auditor's report.

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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

Report on Compliance

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 net position as of December 31, 2013 and 2012, and the related statements of activities and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated May 28, 2014.

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

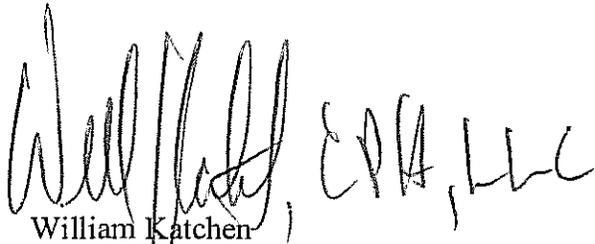
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS
(CONTINUED)**

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 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 28, 2014

SECAUCUS MUNICIPAL UTILITIES AUTHORITY

FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2013 AND 2012

NONE

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There was no prior audit finding on the December 31, 2012 financial statements