

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
AUDITS OF FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
WITH
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
CITY OF JERSEY CITY
HUDSON COUNTY, NEW JERSEY**

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INTRODUCTORY SECTION



JERSEY CITY MUNICIPAL UTILITIES AUTHORITY

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DANIEL F. BECHT, ESQ.
EXECUTIVE DIRECTOR

JOHN D. FOLK, C.P.A.
DIRECTOR OF FINANCE

BOARD OF COMMISSIONERS

EILEEN GAUGHAN
CHAIRPERSON

DONALD BROWN
VICE CHAIRPERSON

WILLIAM MACCHI
SECRETARY

LEWIS W. MATTHIAS
TREASURER

DEBBIE HARRIS
COMMISSIONER

July 11, 2012

The Honorable Chairperson and Commissioners
Jersey City Municipal Utilities Authority
Jersey City, New Jersey

State law requires that all local authorities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Jersey City Municipal Utilities Authority (the Authority) for the year ended December 31, 2011.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found on pages 8-13.

Organization of Report

The CAFR is presented in several sections: Introductory, Financial, Single Audit, Supplementary and Statistical. The Introductory Section includes this transmittal letter and a list of principal officials. The Financial Section includes the independent auditor's report, management's discussion and analysis, and the financial statements, including the notes to the financial statements. The single audit section contains the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards, the report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, the schedules of expenditures of federal awards and state financial assistance and the notes to the schedules, the schedule of findings and questioned costs and the summary of prior year audit findings. The Supplementary Section includes supplementary schedules and information required by the Division of Local Government Services. The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis.

Government Structure and Services

The Authority's governing body consists of five members and two alternates appointed by the Mayor of the City of Jersey City (the "City"), with the advice and consent of the City Council. Members are appointed for terms of five years.

The Authority was created for the purpose of, among other things, acquiring, constructing, maintaining and operating facilities for the treatment, purification and disposal of sewage and other wastes originating in the City. In accordance with the Water Services Franchise and Service Agreement, the Authority is also responsible for operating, maintaining and managing the City's water system.

Internal Accounting Controls

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

The Honorable Chairperson and Commissioners
July 11, 2012

Basis of Accounting

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

Annual Budget

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

Debt Administration

At December 31, 2011, the Authority's outstanding debt issues included \$75,010,561 of sewer revenue and refunding bonds, \$29,653,373 of sewer loans and \$21,524,872 of water loans from the State of New Jersey Environmental Infrastructure Trust, \$73,444,107 of water revenue and refunding bonds and \$41,187,000 of City of Jersey City water debt which the Authority has assumed responsibility for the payment thereof per the Water Services Franchise and Service Agreement.

Cash Management

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

The Honorable Chairperson and Commissioners
July 11, 2012

Risk Management

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

Pension Benefits

All Authority employees participate in the New Jersey Public Employees Retirement System (PERS). The PERS is a cost-sharing multiple-employer defined benefit pension plan and is administered by the State of New Jersey Division of Pensions. Participants are required to contribute a statutory amount to the PERS. The Authority contributes to the PERS at an actuarially determined rate.

Annual Independent Audit

The Authority's financial statements have been audited by Donohue, Gironda & Doria, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the year ended December 31, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the year ended December 31, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is included in the financial section of this report.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff and the Commissioners of the Authority. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report.

Respectfully submitted,



John Folk
Director of Finance

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
 ROSTER OF OFFICIALS
 DECEMBER 31, 2011**

<u>Authority Members</u>	<u>Position</u>	<u>Expiration of Term</u>
<u>Commissioners</u>		
Eileen Gaughan	Chairperson	1/31/13
Donald Brown	Vice Chairperson	1/31/14
Lewis W. Matthias	Treasurer	1/31/16
William Macchi	Secretary	1/31/17
Debbie Harris	Commissioner	1/31/15 effective 3/14/12
William Chopek	Commissioner	1/31/15 deceased 2/27/12
Nicholas Economou	1 st Alternate	1/31/17
Dominick Pandolfo	2 nd Alternate	1/31/13 effective 3/28/12
Joseph Cardwell	2 nd Alternate	Resigned effective 3/02/11

Other Officials

Daniel F. Becht, Esq.	Executive Director
John Folk, CPA	Director of Finance
Genova, Burns, Giantomasi & Webster	General Counsel
Riker Danzig et al.	Special Counsel
Mayo, Lynch & Associates, Inc.	Consulting Engineers
M&T Bank, NA	Trustee

FINANCIAL SECTION

DONOHUE, GIRONDA & DORIA

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA
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INDEPENDENT AUDITOR'S REPORT

Honorable Commissioners of the
Jersey City Municipal Utilities Authority
Jersey City, New Jersey

We have audited the accompanying financial statements of the Jersey City Municipal Utilities Authority (the "Authority"), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 13 and pages 87 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information in the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and State of New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are also not a required part of the basic financial statements. The supplementary information and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


DONOHUE, GIRONDA & DORIA
Certified Public Accountants


MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey
July 11, 2012

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011, 2010 AND 2009**

This section of the Jersey City Municipal Utilities Authority (the "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the years ended December 31, 2011, 2010 and 2009. Please read it in conjunction with the Authority's financial statements and accompanying notes as well as the transmittal letter at the front of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements immediately follow this discussion and analysis by management and are designed to highlight the Authority's net assets and changes to those assets resulting from Authority operations.

THE BASIC FINANCIAL STATEMENTS

The Statement of Net Assets provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities), with the difference between the two reported as net assets.

The Statement of Revenues, Expenses and Changes in Net Assets shows how the Authority's net assets changed during each year and accounts for all of the current year's revenues and expenses, measures the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing, capital related financing and investing activities.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies; details of cash and investments; employee benefits; long-term debt and lease transactions of the Authority; and any other events or developing situations that could materially affect the Authority's financial position.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011, 2010 AND 2009**

FINANCIAL HIGHLIGHTS

The following data highlights the Authority's finances for the years ended December 31, 2011, 2010 and 2009.

Increase/ (Decrease)	Water Fund			Sewer Fund			Totals		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Change in net assets	10,827,984	12,743,998	\$ 2,708,007	5,900,501	\$ 4,927,492	\$ (9,086,605)	\$ 16,728,485	\$ 17,671,490	\$ (6,378,598)
Change in cash, cash equivalents and investments	13,123,370	(7,432,736)	(12,951,282)	6,514,191	4,897,543	(360,065)	19,637,561	(2,535,193)	(13,311,347)
Change in net capital assets	-	-	-	1,830,498	3,194,763	8,607,555	1,830,498	3,194,763	8,607,555
Change in leasehold assets	1,950,705	1,480,641	1,534,564	-	-	-	1,950,705	1,480,641	1,534,564
Change in operating revenues	2,600,290	3,939,900	(2,655,271)	4,709,377	11,347,514	(247,497)	7,309,667	15,287,414	(2,902,768)
Change in operating expenses	4,726,063	(5,888,857)	6,576,144	975,342	230,421	2,224,225	5,701,405	(5,658,436)	8,800,369
Change in operating income	(2,125,773)	9,828,757	(9,231,415)	3,734,035	11,117,093	(2,471,722)	1,608,262	20,945,850	(11,703,137)

2011 compared to 2010. Net assets increased by 16.7 million or 63 percent. This was primarily due to the continued strong operating performance related to the 2010 sewer rate increase of 44.6%. Additionally, the issuance of the 2011 bonds augmented the strong operating performance and helped increase cash positions dramatically as of December 31, 2011.

2010 compared to 2009. Net assets increased by 17.7 million or 196.6 percent. This was primarily due to the 44.6 percent sewer rate increase and the reduction in water franchise expense to the City of Jersey City. Of the 16 Million cash payment to the City, only 7.4 million was expensed in the current year. The other 8.6 million had been reserved for in prior years. Therefore the cash position of the Authority did not improve as dramatically as the change in net assets.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011, 2010 AND 2009**

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table summarizes the assets, liabilities and net assets as of December 31, 2011, 2010 and 2009:

	Water Fund			Sewer Fund			Totals		
	2011	2010	2009	2011	2010	2009	2011	2010	
Current assets	\$ 56,173,892	\$ 45,620,094	\$ 44,392,618	\$ 25,221,312	\$ 25,800,918	\$ 18,047,747	\$ 81,395,204	\$ 71,421,012	\$ 62,440,365
Other noncurrent assets	15,617,539	19,808,897	15,863,252	19,652,422	14,124,980	15,619,275	35,269,961	33,933,877	31,482,527
Net capital assets	-	-	-	123,204,798	121,374,300	118,179,537	123,204,798	121,374,300	118,179,537
Net leasehold interest	96,648,465	94,697,760	93,217,119	-	-	-	96,648,465	94,697,760	93,217,119
Total assets	168,439,896	160,126,751	153,472,989	168,078,532	161,300,198	151,846,559	336,518,428	321,426,949	305,319,548
Current liabilities	13,391,805	14,077,258	12,479,294	35,280,343	46,595,597	42,916,863	48,672,148	60,672,855	55,396,157
Noncurrent liabilities	141,821,090	143,650,476	151,338,676	102,638,823	90,445,736	89,598,323	244,459,913	234,096,212	240,936,999
Total liabilities	155,212,895	157,727,734	163,817,970	137,919,166	137,041,333	132,515,186	293,132,061	294,769,067	296,333,156
Net assets:									
Invested in capital assets and leasehold interest	-	-	-	34,140,135	30,860,329	23,287,667	34,140,135	30,860,329	23,287,667
Restricted	(42,044,964)	(40,128,138)	(45,910,257)	-	-	-	(42,044,964)	(40,128,138)	(45,910,257)
Unrestricted	55,271,965	42,527,155	35,565,276	250,000	250,000	250,000	250,000	250,000	250,000
Total net assets	\$ 13,227,001	\$ 2,399,017	\$ (10,344,981)	\$ 30,159,366	\$ 24,258,865	\$ 19,331,373	\$ 43,386,367	\$ 26,657,882	\$ 8,986,392

2011 compared to 2010. The Authority's financial condition has improved, with its current ratio (current assets/current liabilities) increasing from 1.18 to 1.67. The Sewer fund has improved from .55 to .71 primarily due to its 44.6% rate increase effective 1-01-2010.

2010 compared to 2009. The Authority's financial condition has improved, with its current ratio (current assets/current liabilities) increasing from 1.13 to 1.18. The Sewer fund has improved from .42 to .55 primarily due to its 44.6% rate increase.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011, 2010 AND 2009**

OPERATING ACTIVITIES

The following table summarizes the revenues, expenses and changes in net assets for the years ended December 31, 2011, 2010 and 2009.

	Water Fund			Sewer Fund			Totals		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Operating Revenue:									
User charges	\$ 45,403,742	\$ 42,943,650	\$ 40,795,846	\$ 45,432,361	\$ 41,608,654	\$ 29,287,678	\$ 90,836,103	\$ 84,552,304	\$ 70,083,524
Bulk water	9,563,519	9,127,213	7,876,095	-	-	-	9,563,519	9,127,213	7,876,095
Service agreements	-	-	-	2,371,378	2,302,541	1,798,071	2,371,378	2,302,541	1,798,071
Connection fees	537,437	931,753	415,071	1,477,147	413,012	1,833,104	2,014,584	1,344,765	2,248,175
Interest and other income	756,118	657,910	633,614	667,052	914,354	972,194	1,423,170	1,572,264	1,605,808
Total Operating Revenue	56,260,816	53,660,526	49,720,626	49,947,938	45,238,561	33,891,047	106,208,754	98,899,087	83,611,673
Operating Expenses:									
Cost of providing services	31,738,253	28,021,580	34,102,701	30,376,327	29,851,366	30,021,318	62,114,580	57,872,946	64,124,019
General and administrative	2,359,800	1,954,133	2,048,499	2,457,700	2,802,768	2,747,014	4,817,500	4,756,901	4,795,513
Amortization expense	5,513,032	4,909,309	4,622,679	-	-	-	5,513,032	4,909,309	4,622,679
Depreciation expense	-	-	-	6,631,000	5,835,551	5,490,932	6,631,000	5,835,551	5,490,932
Total Operating Expenses	39,611,085	34,885,022	40,773,879	39,465,027	38,489,685	38,259,264	79,076,112	73,374,707	79,033,143
Operating Income / (Loss)	16,649,731	18,775,504	8,946,747	10,482,911	6,748,876	(4,368,217)	27,132,642	25,524,380	4,578,530
Non-Operating Revenue/(Expense):									
Interest income	172,434	187,573	350,903	30,890	43,524	43,535	203,324	231,097	394,438
Other amortization expense	(232,143)	(189,191)	(189,191)	(937,226)	(583,913)	(575,918)	(1,169,369)	(773,104)	(765,109)
Interest expense	(5,762,038)	(6,029,888)	(6,400,452)	(3,676,074)	(3,884,318)	(4,186,005)	(9,438,112)	(9,914,206)	(10,586,457)
Capital contribution-Grants	-	-	-	-	2,603,323	-	-	2,603,323	-
Total non-operating revenue/ (expense)	(5,821,747)	(6,031,506)	(6,238,740)	(4,582,410)	(1,821,384)	(4,718,388)	(10,404,157)	(7,852,890)	(10,957,128)
Change in Net Assets	\$ 10,827,984	\$ 12,743,998	\$ 2,708,007	\$ 5,900,501	\$ 4,927,492	\$ (9,086,605)	\$ 16,728,485	\$ 17,671,490	\$ (6,378,598)

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011, 2010 AND 2009**

OPERATING ACTIVITIES (Continued)

2011 compared to 2010. The Authority's user fees increased by 6.3 million or 7.4 percent from the prior year and nearly 30% from 2009. The Sewer rate increase of about 45% 2 years ago as well as annual 3.75% rate increases has led to strong growth in operating revenues. Authority operating expenses increased by 5.7 million or 7.8 percent, primarily due to the increase in water franchise fee expenses.

2010 compared to 2009. The Authority's user fees increased by 14.5 million or 20.7 percent due to the 44.6% sewer rate increase. With the annual 3.75% rate increase for water which is automatically enacted each January 1, the combined rate increase is approximately 20%. Authority operating expenses decreased by 5.7 million or 7.2 percent, primarily due to the decrease in water franchise fee expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Authority, in fulfilling its mission to provide water and sewer services to the commercial and residential communities of Jersey City, has invested its resources in infrastructure improvements, leasehold interests, meters and other necessary equipment. Additionally, there have been many improvements mandated by the Environmental Protection Agency and other regulatory agencies. This only will increase in the future as additional environmental protections are placed on the City of Jersey City in large part due to its geographical location as a peninsula with extended areas of water frontage.

The following table summarizes the changes in capital assets for 2009, 2010 and 2011:

	January 1, 2009	Additions/ Deletions/ Transfers	December 31, 2009	Additions/ Deletions/ Transfers	December 31, 2010	Additions/ Deletions/ Transfers	December 31, 2011
Capital assets:							
Land and land rights	\$ 346,572	\$ -	\$ 346,572	\$ -	\$ 346,572	\$ -	\$ 346,572
Infrastructure and improvements	210,375,526	4,025,467	214,400,993	5,070,458	219,471,451	3,877,655	223,349,106
Equipment, meters and vehicles	22,870,123	1,564,885	24,435,008	2,057,706	26,492,714	6,254,680	32,747,394
	<u>233,592,221</u>	<u>5,590,352</u>	<u>239,182,573</u>	<u>7,128,164</u>	<u>246,310,737</u>	<u>10,132,335</u>	<u>256,443,072</u>
Less: accumulated depreciation:	(125,615,472)	(5,490,932)	(131,106,404)	(5,835,551)	(136,941,955)	(6,631,000)	(143,572,955)
	<u>107,976,749</u>	<u>99,420</u>	<u>108,076,169</u>	<u>1,292,613</u>	<u>109,368,782</u>	<u>3,501,335</u>	<u>112,870,117</u>
Add: work in progress (net)	1,595,233	8,508,135	10,103,368	1,902,150	12,005,518	(1,670,837)	10,334,681
	<u>\$ 109,571,982</u>	<u>\$ 8,607,555</u>	<u>\$ 118,179,537</u>	<u>\$ 3,194,763</u>	<u>\$ 121,374,300</u>	<u>\$ 1,830,498</u>	<u>\$ 123,204,798</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011, 2010 AND 2009**

The following table summarizes the changes in leasehold improvements for 2009, 2010 and 2011:

	January 1, 2009	Increase/ (Decrease)	December 31, 2009	Increase/ (Decrease)	December 31, 2010	Increase/ (Decrease)	December 31, 2011
Leasehold interest:							
Leasehold interest	\$ 109,613,303		\$ 109,613,303	\$ -	\$ 109,613,303	\$ -	\$ 109,613,303
Additional franchise fee	42,000,000		42,000,000		42,000,000		42,000,000
Additional water debt issued	16,540,000		16,540,000	-	16,540,000	152,000	16,692,000
Leasehold interest capital projects	-		-	9,314,968	9,314,968	4,221,031	13,535,999
	168,153,303	-	168,153,303	9,314,968	177,468,271	4,373,031	181,841,302
Less: Accumulated Amortization	80,322,397	4,622,679	84,945,076	4,909,309	89,854,385	5,513,032	95,367,417
	87,830,906	(4,622,679)	83,208,227	4,405,659	87,613,886	(1,140,001)	86,473,885
Add: leasehold imp work in progress	3,851,649	6,157,243	10,008,892	(2,925,018)	7,083,874	3,090,706	10,174,580
	\$ 91,682,555	\$ 1,534,564	\$ 93,217,119	\$ 1,480,641	\$ 94,697,760	\$ 1,950,705	\$ 96,648,465

Capital Debt - The following table summarizes the capital debt as of December 31, 2011, 2010 and 2009:

	2011	2010	2009
Water refunding bonds payable	\$ 73,444,107	\$ 70,061,474	\$ 75,173,841
Sewer refunding bonds payable	75,010,561	60,818,785	65,852,010
Sewer capital notes payable	-	7,000,000	11,200,000
Water NJ infrastructure trust loan	21,524,872	22,686,598	11,914,587
Sewer NJ infrastructure trust loans	29,653,373	32,181,329	26,924,519
Due to City of Jersey City	41,187,000	44,855,000	48,590,000
Total bonds and loans payable	\$ 240,819,913	\$ 237,603,186	\$ 239,654,957

The Authority also owes the City of Jersey City \$14,000,000 for past water franchise fees which is not included in the above amount Due to the City of Jersey City.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide City of Jersey City citizens and ratepayers, and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations and grants that it receives. If you have questions about this report or need additional financial information, you may contact the Authority's Executive Director or Director of Finance at 555 Route 440, Jersey City, New Jersey 07305 or at (201) 432-1150.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF NET ASSETS**

	Water Fund		Sewer Fund		Totals	
	Balance, December 31, 2011	2010	Balance, December 31, 2011	2010	Balance, December 31, 2011	2010
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 20,143,833	\$ 5,763,394	\$ 12,522,706	\$ 14,950,920	\$ 32,666,539	\$ 20,714,314
Cash and cash equivalents - Restricted	2,985,597	4,242,957	7,011,725	5,869,934	9,997,322	10,112,891
Water-user fees receivable (net of allowance for doubtful accounts of \$2,703,280 and \$3,862,038)	8,668,177	6,342,568	-	-	8,668,177	6,342,568
Sewer-user fees receivable (net of allowance for doubtful accounts of \$654,761 and \$1,606,134)	-	-	4,740,493	4,882,025	4,740,493	4,882,025
Accrued interest receivable	-	24	-	167	-	191
Due from Sewer Fund	24,334,718	29,147,411	-	-	24,334,718	29,147,411
Accounts receivable - MMREF	-	86,847	-	-	-	86,847
Accounts receivable - United Water	41,567	36,893	-	-	41,567	36,893
Accounts receivable - North Hudson	-	-	940,076	-	940,076	-
Accounts receivable - North Bergen	-	-	6,312	97,872	6,312	97,872
Total current assets	56,173,892	45,620,094	25,221,312	25,800,918	81,395,204	71,421,012
Noncurrent assets:						
Cash and cash equivalents - Restricted	2,915,989	2,915,698	11,460,366	3,659,752	14,376,355	6,575,450
Investments - Restricted	7,707,000	7,707,000	-	-	7,707,000	7,707,000
Accrued interest receivable - Restricted	-	25	-	51	-	76
Due from NJ Infrastructure Trust Fund - Restricted	2,941,089	7,408,053	5,858,320	8,456,966	8,799,409	15,865,019
Costs of issuance	1,509,151	1,377,995	2,009,574	1,821,055	3,518,725	3,199,050
Unamortized bond discount	544,310	400,126	323,887	186,881	868,197	587,007
Security deposit	-	-	275	275	275	275
Other noncurrent assets	15,617,539	19,808,897	19,652,422	14,124,980	35,269,961	33,933,877
Capital assets:						
Land	-	-	346,572	346,572	346,572	346,572
Work in progress	-	-	10,334,681	12,005,518	10,334,681	12,005,518
Improvements and equipment, net	-	-	112,523,545	109,022,210	112,523,545	109,022,210
Net capital assets	-	-	123,204,798	121,374,300	123,204,798	121,374,300
Leasehold improvements:						
Leasehold capital improvements	12,359,017	9,028,338	-	-	12,359,017	9,028,338
Leasehold work in progress	10,174,580	7,083,874	-	-	10,174,580	7,083,874
Net leasehold interest	74,114,868	78,585,548	-	-	74,114,868	78,585,548
Net leasehold improvements	96,648,465	94,697,760	-	-	96,648,465	94,697,760
Total noncurrent assets	112,266,004	114,506,657	142,857,220	135,499,280	255,123,224	250,005,937
Total Assets	\$ 168,439,896	\$ 160,126,751	\$ 168,078,532	\$ 161,300,198	\$ 336,518,428	\$ 321,426,949

See notes to the financial statements.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET ASSETS**

	Water Fund		Sewer Fund		Totals	
	Balance, December 31, 2011	Balance, December 31, 2010	Balance, December 31, 2011	Balance, December 31, 2010	2011	2010
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 626,706	\$ 1,511,584	\$ 897,506	\$ 621,575	\$ 1,524,212	\$ 2,133,159
Payroll deductions payable	-	-	44,393	40,959	44,393	40,959
Customer deposits	974,094	976,431	341,008	590,412	1,315,102	1,566,843
Accrued interest payable	1,160,464	1,197,517	1,443,973	1,533,628	2,604,437	2,731,145
Bonds and loans payable	6,833,541	6,571,726	8,218,745	7,661,612	15,052,286	14,233,338
Due to Water Fund	-	-	24,334,718	29,147,411	24,334,718	29,147,411
Due to City of Jersey City	3,797,000	3,820,000	-	-	3,797,000	3,820,000
Sewer project notes payable	-	-	-	7,000,000	-	7,000,000
Total current liabilities	<u>13,391,805</u>	<u>14,077,258</u>	<u>35,280,343</u>	<u>46,595,597</u>	<u>48,672,148</u>	<u>60,672,855</u>
Noncurrent liabilities:						
Bonds payable:						
Premium on sewer bonds	-	-	855,161	978,759	855,161	978,759
Sewer refunding bonds payable	-	-	68,855,561	55,088,785	68,855,561	55,088,785
Deferred revenue	2,295,652	2,439,130	-	-	2,295,652	2,439,130
Water revenue bonds payable	67,779,107	64,651,474	-	-	67,779,107	64,651,474
Net OPEB obligation	-	-	5,338,473	4,128,475	5,338,473	4,128,475
Infrastructure trust loan payable	20,356,331	21,524,872	27,589,628	30,249,717	47,945,959	51,774,589
Due to City of Jersey City	51,390,000	55,035,000	-	-	51,390,000	55,035,000
Total noncurrent liabilities	<u>141,821,090</u>	<u>143,650,476</u>	<u>102,638,823</u>	<u>90,445,736</u>	<u>244,459,913</u>	<u>234,096,212</u>
Total liabilities	<u>155,212,895</u>	<u>157,727,734</u>	<u>137,919,166</u>	<u>137,041,333</u>	<u>293,132,061</u>	<u>294,769,067</u>
Net assets:						
Invested in capital assets, net of related debt	-	-	34,140,135	30,860,329	34,140,135	30,860,329
Invested in leasehold interest, net of related debt	(42,044,964)	(40,128,138)	-	-	(42,044,964)	(40,128,138)
Restricted	-	-	250,000	250,000	250,000	250,000
Unrestricted	55,271,965	42,527,155	(4,230,769)	(6,851,464)	51,041,196	35,675,691
Total net assets	<u>13,227,001</u>	<u>2,399,017</u>	<u>30,159,366</u>	<u>24,258,865</u>	<u>43,386,367</u>	<u>26,657,882</u>
Total liabilities and net assets	<u>\$ 168,439,896</u>	<u>\$ 160,126,751</u>	<u>\$ 168,078,532</u>	<u>\$ 161,300,198</u>	<u>\$ 336,518,428</u>	<u>\$ 321,426,949</u>

See notes to the financial statements.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

	Water Fund		Sewer Fund		Totals	
	Year Ended December 31, 2011	2010	Year Ended December 31, 2011	2010	Year Ended December 31, 2011	2010
Operating revenues:						
User charges	\$ 45,403,742	\$ 42,943,650	\$ 45,432,361	\$ 41,608,654	\$ 90,836,103	\$ 84,552,304
Bulk water	9,563,519	9,127,213	-	-	9,563,519	9,127,213
Interest on delinquent payments	756,118	657,910	649,263	638,535	1,405,381	1,296,445
Service agreements	-	-	2,371,378	2,302,541	2,371,378	2,302,541
Connection Fees	537,437	931,753	1,477,147	413,012	2,014,584	1,344,765
Other revenue	-	-	17,789	275,819	17,789	275,819
Total operating revenues	<u>56,260,816</u>	<u>53,660,526</u>	<u>49,947,938</u>	<u>45,238,561</u>	<u>106,208,754</u>	<u>98,899,087</u>
Operating expenses:						
Cost of providing services	31,738,253	28,021,580	30,376,327	29,851,366	62,114,580	57,872,946
Administrative, executive and professional	2,359,800	1,954,133	2,457,700	2,802,768	4,817,500	4,756,901
Depreciation expense	-	-	6,631,000	5,835,551	6,631,000	5,835,551
Leasehold amortization expense	5,513,032	4,909,309	-	-	5,513,032	4,909,309
Total operating expenses	<u>39,611,085</u>	<u>34,885,022</u>	<u>39,465,027</u>	<u>38,489,685</u>	<u>79,076,112</u>	<u>73,374,707</u>
Operating income (loss):	<u>16,649,731</u>	<u>18,775,504</u>	<u>10,482,911</u>	<u>6,748,876</u>	<u>27,132,642</u>	<u>25,524,380</u>
Nonoperating revenues (expenses):						
Interest income	172,434	187,573	30,890	43,524	203,324	231,097
Interest expense	(5,762,038)	(6,029,888)	(3,676,074)	(3,884,318)	(9,438,112)	(9,914,206)
Other amortization expense	(232,143)	(189,191)	(937,226)	(583,913)	(1,169,369)	(773,104)
Total nonoperating revenues (expenses)	<u>(5,821,747)</u>	<u>(6,031,506)</u>	<u>(4,582,410)</u>	<u>(4,424,707)</u>	<u>(10,404,157)</u>	<u>(10,456,213)</u>
Income (loss) before contributions	10,827,984	12,743,998	5,900,501	2,324,169	16,728,485	15,068,167
Capital contributions:						
Grant revenue	-	-	-	2,603,323	-	2,603,323
Change in Net Assets	10,827,984	12,743,998	5,900,501	4,927,492	16,728,485	17,671,490
Net Assets, beginning of year	2,399,017	(10,344,981)	24,258,865	19,331,373	26,657,882	8,986,392
Net Assets, end of year	<u>\$ 13,227,001</u>	<u>\$ 2,399,017</u>	<u>\$ 30,159,366</u>	<u>\$ 24,258,865</u>	<u>\$ 43,386,367</u>	<u>\$ 26,657,882</u>

See notes to the financial statements.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS**

	Water Fund		Sewer Fund		Totals	
	Year Ended December 31, 2011	2010	Year Ended December 31, 2011	2010	Year Ended December 31, 2011	2010
Cash Flows from Operating Activities:						
Receipts from customers	\$ 53,395,433	\$ 52,373,633	\$ 48,882,201	\$ 44,127,177	\$ 102,277,634	\$ 96,500,810
Other receipts	537,437	931,753	17,789	285,745	555,226	1,217,498
Payments to employees	-	(103,325)	(6,200,416)	(6,029,198)	(6,200,416)	(6,132,523)
Payments to vendors	(22,982,931)	(21,459,271)	(25,144,248)	(25,163,420)	(48,127,179)	(46,622,691)
Other payments	(12,000,000)	(16,000,000)	-	-	(12,000,000)	(16,000,000)
Net cash provided by operating activities	18,949,939	15,742,790	17,555,326	13,220,304	36,505,265	28,963,094
Cash Flows From Noncapital Financing Activities:						
Transfers (to) from Other Fund	4,812,693	(6,931,309)	(4,812,693)	6,931,309	-	-
Unreimbursed expenses - Due from North Bergen	-	-	91,560	521,224	91,560	521,224
Net cash provided (used) in noncapital financing activity	4,812,693	(6,931,309)	(4,721,133)	7,452,533	91,560	521,224
Cash Flows From Capital and Related Financing Activities:						
Leasehold Financing Due City of Jersey City	(3,820,000)	(3,735,000)	-	-	(3,820,000)	(3,735,000)
Unreimbursed capital expenses - Due from City of Jersey City	(35,252)	(1,323,882)	-	-	(35,252)	(1,323,882)
Reimburse capital expenses - Due from City of Jersey City	117,425	1,933,222	-	-	117,425	1,933,222
Principal payments on Capital Debt	(6,571,726)	(5,787,361)	(7,661,612)	(7,122,516)	(14,233,338)	(12,909,877)
Interest paid on Capital Debt	(5,799,091)	(6,074,959)	(3,765,729)	(3,956,838)	(9,564,820)	(10,031,797)
NJEIT loan drawdown	4,450,472	5,118,883	2,002,302	5,873,383	6,452,774	10,992,266
2009 Project Note (Retirement)	-	-	(7,000,000)	7,000,000	(7,000,000)	(11,200,000)
2010 Project Note (Retirement) Issuance	-	-	(7,000,000)	-	(7,000,000)	7,000,000
2011 Sewer Bond Defeasance	8,546,098	-	26,179,067	-	34,725,165	-
2011 Bond Issuance	(244,456)	-	(641,638)	-	(886,094)	-
Cost of issuance paid	(7,311,738)	(6,419,503)	(8,463,419)	(9,016,168)	(15,775,157)	(15,435,671)
Purchase of leasehold assets/capital assets	-	-	-	2,603,323	-	2,603,323
Contributed capital grants	(10,668,268)	(16,288,600)	(6,351,029)	(15,818,816)	(17,019,297)	(32,107,416)
Net cash (used) by capital and related financing activity	29,006	44,383	31,027	43,522	60,033	87,905
Cash Flows From Investing Activities:						
Receipt of interest income	29,006	44,383	31,027	43,522	60,033	87,905
Net cash provided by investing activities	29,006	44,383	31,027	43,522	60,033	87,905
Increase (decrease) in cash and cash equivalents	13,123,370	(7,432,736)	6,514,191	4,897,543	19,637,561	(2,535,193)
Cash and cash equivalents at beginning of year	12,922,049	20,354,785	24,480,606	19,583,063	37,402,655	39,937,848
Cash and cash equivalents at end of year	\$ 26,045,419	\$ 12,922,049	\$ 30,994,797	\$ 24,480,606	\$ 57,040,216	\$ 37,402,655
Current cash and cash equivalents at end of year	20,143,833	5,763,394	12,522,706	14,950,920	32,666,539	20,714,314
Current restricted cash and cash equivalents at end of year	2,985,597	4,242,957	7,011,725	5,869,934	9,997,322	10,112,891
Noncurrent restricted cash and cash equivalents at end of year	2,915,989	2,915,698	11,460,366	3,659,752	14,376,355	6,575,450
	\$ 26,045,419	\$ 12,922,049	\$ 30,994,797	\$ 24,480,606	\$ 57,040,216	\$ 37,402,655
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income (loss):	\$ 16,649,731	\$ 18,775,504	\$ 10,482,911	\$ 6,748,876	\$ 27,132,642	\$ 25,524,380
Adjustments to reconcile operating income to net cash provided by operating activities:						
Amortization expense	5,513,032	4,909,309	-	-	5,513,032	4,909,309
Depreciation expense	-	-	6,631,000	5,835,551	6,631,000	5,835,551
Decrease in accounts receivable	-	-	-	9,926	-	9,926
(Increase) in user fees receivable	(2,325,609)	(115,693)	141,532	(1,461,298)	(2,184,077)	(1,576,991)
(Decrease) increase in customer deposits	(2,337)	(239,447)	(249,404)	171,582	(251,741)	(67,865)
Decrease (increase) in due from North Hudson Sewerage Authority	-	-	(940,076)	454,152	(940,076)	454,152
Increase (decrease) in accounts payable and payroll deductions	(884,878)	1,013,117	279,365	309,267	(605,513)	1,322,384
Increase in net OPEB obligation	-	-	1,209,998	1,152,248	1,209,998	1,152,248
(Decrease) in reserve for future water franchise fee	-	(8,600,000)	-	-	-	(8,600,000)
Net Cash Provided by Operating Activities	\$ 18,949,939	\$ 15,742,790	\$ 17,555,326	\$ 13,220,304	\$ 36,505,265	\$ 28,963,094

See notes to the financial statements.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

On August 26, 1983, the State of New Jersey enacted P.L. 1983, Chapter 313, providing for a State review of the financial operations of local authorities. The responsibility for this review was given to the Local Finance Board and the Division of Local Government Services of the Department of Community Affairs (DCA). In July 1984, the Governmental Accounting Standards Board (GASB) became the promulgator of standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities. GASB Statement No. 20 recognizes that the accounting and financial reporting activities of Authorities are considered to be proprietary activities. In accordance with Statement No. 20, the Authority has applied all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements that were issued prior to November 30, 1989. The Authority has elected not to apply FASB pronouncements issued after that date unless they have specifically been made applicable by the GASB.

In June 1999, the GASB adopted its Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” (Statement No. 34) The Authority adopted Statement No. 34 with an effective date of January 1, 2002.

B. Measurement Focus/Basis of Accounting

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (“GAAP”) applicable to enterprise funds of state and local governments. The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

C. Operating Revenues and Expenses

Operating revenues generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are water and sewer user charges. All revenues not meeting these definitions are reported as non-operating revenues. Operating expenses consist of the costs of providing those services, including depreciation and amortization of leasehold interest but excluding interest on debt. All other expenses are reported as non-operating expenses.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Authorizing Legislation

The Jersey City Sewerage Authority was created by virtue of an ordinance adopted December 20, 1949 by the City Council of the City of Jersey City (the "City"). On December 10, 1997, the City adopted an ordinance that reorganized the Jersey City Sewerage Authority as the Jersey City Municipal Utilities Authority (the "Authority"). The reorganization became effective January 1, 1998. The Authority is a public body, corporate and politic, organized under the laws of the State of New Jersey. Under the provisions of the Service Contract with the City, the Authority is responsible for the treatment and disposal of sewage and other wastes originating in the City and to operate, maintain and manage the water system.

E. Authority Description

The Authority has the right, power and authority to acquire, use and hold all real and personal property and make and perform all contracts and do all acts and things proper or necessary to design, finance, construct, acquire and operate its sewer and water systems.

Prior to the reorganization of the Authority, the City operated its water system as a utility within the City's budget. The City determined that it was in the best interest of the users of the water system for the Authority to operate both the sewerage system and the water system, creating economies for both systems.

On February 1, 1998, the Authority and the City entered into a Water Services Franchise and Service Agreement (the Original Franchise Agreement.) Pursuant to this agreement, the Authority assumed the operation, maintenance and management of the Water System, subject to the short-term private operating agreement between the City and United Water Co. The Original Franchise Agreement was due to expire on March 31, 2008. On May 1, 2003 the Authority entered into the Amended and Restated Franchise Agreement (the Amended Franchise Agreement) which provided, among other things, to extend the Franchise Agreement with the City until March 31, 2028. The City will continue to be responsible for the financing of all extensions and improvements to the Water System, but the Authority has assumed the responsibility for the payment of debt service on any future bonds issued by the City for such purposes (*i.e.*, the Future City Water Obligations), as well as the responsibility for payment of debt service on the outstanding bonds of the City issued to finance the Water System (*i.e.*, the First Lien City Water Obligations). Debt service on the First Lien City Water Obligations has previously been paid from revenues collected by the City in connection with the use of the Water System. On September 30, 2005 the Authority entered into the Amended and Restated Water Services Franchise and Service Agreement which changed the yearly payments due to the city generally making the near term payments lower and increasing future year payments.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Authority Description (Continued)

In 1998, pursuant to the Original Franchise Agreement, the Authority paid the City from the proceeds of the Water Revenue Bonds, Series 1998, an up-front franchise fee in the amount of \$31,000,000. Thereafter, the Authority was required to pay the City an annual fee for the rights to the Water Revenues. This annual fee was raised in the Authority's annual budget. Pursuant to the 2003 Amended Franchise Agreement, the Authority agreed to pay the City from the proceeds of the Water Revenue Bonds, Series 2003 B, an additional franchise fee of \$14,000,000 per year in 2003, 2004 and 2005, and annual fees for the rights to the water revenues of \$16,000,000 per year through 2027. The Authority paid the additional franchise fee in 2003 and 2004. Pursuant to the 2005 Amended Franchise Agreement, the final \$14,000,000 franchise fee is being deferred until later years. In addition, the annual \$16,000,000 payments have been rescheduled so as to make the near term payments lower and increasing future year payments. The 2005 Amended Franchise Agreement, as most recently amended by an Authority Resolution on June 24, 2010, calls for varying annual payments with a low of \$12,000,000 due for the year ended December 31, 2011 and a high of \$20,000,000 due for the years ended December 31, 2021 through 2027. The June 24, 2010 amendment reduces future payments for the additional \$6,000,000 and \$9,000,000 made in 2009 and 2010, respectively. At the conclusion of the franchise agreement in 2027, the city will have received the full amount it was contracted to receive under the original payment schedule.

The Authority's governing body consists of five members and two alternates appointed by the Mayor of the City, with the advice and consent of the City Council. As a public body, under existing Statute, the Authority is exempt from both federal and state taxes.

The Authority is a component unit of the City under Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB 39.

F. Bond Resolutions

The Board of Commissioners of the Authority adopted, on January 28, 1998 the "General Bond Resolution", on March 31, 1998, May 31, 2001 and April 10, 2003 and December 12, 2005, the "Supplemental Resolutions" (taken together, the "1998 General Bond Resolution"). These resolutions gave the Authority the ability to issue Water Bonds and additional Sewer Bonds. The 1993 Sewer Bonds outstanding were authorized by the "1985 General Bond Resolution", adopted on December 4, 1985. The "1985 General Bond Resolution" will be in effect until all of the 1993 Sewer Bonds have been retired.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Bond Resolutions (Continued)

The Authority has no stockholders or equity holders, and all bond proceeds, revenues or other cash received must be applied for specific purposes, in accordance with the provisions of the statute and related bond resolutions, for the security of the bondholders.

G. Capital Assets

In order to comply with the requirements of the "New Jersey Local Authorities Accounting Principles and Auditing Standards Manual," the Authority has valued capital assets at historical cost and has recorded depreciation thereon (see Note 5).

H. Cash and Investments

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.

I. Inventory

Purchases of materials and supplies are expensed when purchased. The Authority does not maintain an inventory of these purchases. The balance on hand of these items at December 31, 2011 and 2010 was not material.

J. Water and Sewer User Fees

United Water Jersey City, through an agreement with the Authority, bills customers for sewerage together with the water bill, and is responsible for the collection of both the water and sewerage billings. All cash collected by United Water Jersey City for water and sewerage is remitted to the Authority daily. Water and Sewer User Fee Revenue is recorded when billed and an allowance for uncollectible accounts has been established for that part of the receivable recorded at year end that the Authority estimates would ultimately prove to be uncollectible.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Debt Issuance Costs

Bond issuance costs are deferred and amortized over the life of the bonds. Bond issuance costs are reported as unamortized debt issuance costs and amortized over the term of the debt.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make 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.

M. Scope of Audit

The audit covered the financial transactions of the Authority, the activities of the Board of Commissioners, and the records of the various Water and Sewer Funds.

N. Budgets and Budgetary Accounting

The State Division of Local Government Services requires that an annual budget be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Authority and approved by the Division per N.J.S.A. 40A:4 et. seq. Several individual line items in both the water and sewer budgets were over expended.

O. Leasehold Interest

Leasehold interest consists of the total principal balance outstanding at February 1, 1998 on City of Jersey City prior water bonds; bonds and notes issued subsequent to February 1, 1998 by the City of Jersey City to fund water system improvements; the up-front franchise fee paid to the City of Jersey City in 1998; and the additional franchise fees paid to the City in 2003 and 2004 and due to the City as of December 31, 2011 (see Note 6.) The leasehold interest is being amortized on a straight-line basis over the life of the Amended Franchise Agreement. The varying annual franchise fee payments to the City of Jersey City for the rights to the Water Revenues are charged to expense in the year accrued.

The Authority records leasehold work-in-process for projects which the Authority is funding. Once those projects are completed and placed into service, they are reclassified to leasehold capital

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Leasehold Interest (Continued)

improvements.

P. Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The Authority's advertising costs are for advertising in the local papers that is required by statute.

Q. Reclassifications

Certain amounts in the 2010 basic financial statements have been reclassified in order to conform with the 2011 presentation.

2. RESTRICTED ACCOUNTS

Certain provisions of the "1985 General Bond Resolution" and the "1998 General Bond Resolution" are summarized below. The 1985 General Bond Resolution will be in effect until the 1993 Sewer Bonds, which were issued under this Resolution, are retired or paid in full.

A. The following funds are maintained for the Water and Sewer Funds:

Sewer Fund

Water Fund

Sewer Revenue Fund	Water Revenue Fund
Sewer Operating Fund	Water Operating Fund
Sewer Bond Sinking Fund	(a) Water Operating Account
Sewer Bond Reserve Fund (Debt Service Reserve Fund)	(b) First Lien Water Bond Account
Sewer Renewal and Replacement Fund	Water Bond Sinking Fund
Sewer General Fund (Surplus Fund)	Water Bond Reserve Fund
Sewer Rebate Fund	City Franchise Fee Payment Fund
Sewer Construction Fund	Water Renewal and Replacement Fund
	Water General Fund
	Water Rebate Fund

B. The Sewer Operating Fund and the Water Operating Account in the Water Operating Fund are held by the Authority. All other funds and accounts are held by the Trustee.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

2. RESTRICTED ACCOUNTS (Continued)

C. All sewer revenue and water revenue are collected and deposited daily in the name of the Trustee into the Sewer Revenue Fund and the Water Revenue Fund.

D. As of the first day of each month, the Trustee makes payments out of the Sewer Revenue Fund into the following funds and accounts as follows:

First: Into the Sewer Operating Fund, the amount of Sewer Operating expenses needed for the month as shown in the Annual Budget then in effect. In the case of expenses that are payable annually or in intervals less frequently than monthly, the monthly allocated portion of such expenses is deposited in such Operating Fund so that on the date such payment is due, there is sufficient money on deposit in the Operating Fund to make such payment;

Second: Into the Sewer Bond Service Fund, to the extent, if any, needed to increase the amount in the Sewer Bond Service Fund so that it equals the Sewer Bond Service Requirement, and on a pro rata basis, into the Sewer Bond Sinking Fund, to the extent, if any, needed to increase the amount then or theretofore paid during such Fiscal Year into the Sewer Bond Sinking Fund so that it equals the Sewer Bond Sinking Fund Requirement;

Third: Into the Sewer Bond Reserve Fund, to the extent, if any, needed to increase the amount in the Sewer Bond Reserve Fund so that it equals the Sewer Bond Reserve Requirement;

Fourth: Into the Sewer Renewal and Replacement Fund, to the extent, if any, needed to increase the amount in the Sewer Renewal and Replacement Fund so that it equals the Sewer Renewal and Replacement Requirement;

Fifth: Into the Sewer General Fund, any remaining balance.

E. As of the first day of each month the Trustee makes payments out of the Water Revenue Fund into the following funds and accounts as follows:

First: Into the Water Operating Account in the Water Operating Fund, the amount of Water Operating expenses needed for the month as shown in the Annual Budget then in effect;

Second: Into the First Lien Water Bond Account in the Water Operating Fund, the amount, if any needed to increase the First Lien Water Bond Account so that it equals the First Lien Water Bond Requirement. The First Lien Water Bond Requirement, as of any date of calculation, is an amount equal to the debt service payable with respect to the First Lien City Water Obligations;

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

2. RESTRICTED ACCOUNTS (Continued)

Third: Into the Water Bond Service Fund, to the extent, if any, needed to increase the amount in the Water Bond Service Fund so that it equals the Water Bond Service Requirement, and on a pro rata basis, into the Water Bond Sinking Fund, to the extent, if any, needed to increase the amount then or theretofore paid during such Fiscal Year into the Water Bond Sinking Fund so that it equals the Water Bond Sinking Fund Requirement;

Fourth: Into the Water Bond Reserve Fund, to the extent, if any, needed to increase the amount in the Water Bond Reserve Fund so that it equals the Water Bond Reserve Requirement;

Fifth: Into the City Franchise Fee Payment Fund, to the extent, if any, needed to increase the amount in the City Franchise Fee Payment Fund so that it equals the City Franchise Fee Payment Requirement;

Sixth: Into the Water Renewal and Replacement Fund, to the extent, if any, needed to increase the amount in the Water Renewal and Replacement Fund so that it equals the Water Renewal and Replacement Requirement which is an amount determined and certified by the Authority's Consulting Engineer. The Water Renewal and Replacement Requirement was initially established at \$0.00.

Seventh: Into the Water General Fund, any remaining balance.

- F.** Moneys received from the provisions of the Resolution or applicable Supplemental Sewer Resolution may be paid into the Sewer Construction Fund. At the option of the Authority, any moneys received by the Authority from any other source, unless required to be otherwise applied as provided by the Resolutions may be paid into the Sewer Construction Fund. Amounts in the Sewer Construction Fund are applied to the costs of the project and costs of issuance.
- G.** The 1985 General Bond Resolution required that the Authority maintain on deposit an amount equal to the largest one year annual debt service. The Seventh Supplemental and Amending Resolution, adopted October 23, 1996, provided that a letter of credit could be issued to replace the funds previously required to be held on deposit in the Sewer Debt Service Reserve Fund. The letter of credit was issued on October 31, 1996, and the funds on deposit in the Sewer Debt Service Reserve Fund were transferred to the Sewer Surplus Fund. These funds have been designated to pay for the costs of capital projects. The letter of credit expired on October 31, 2002. The Authority replaced the letter of credit with an insurance policy. The Authority also maintains one sixth (1/6) of the total sewer operating expenses of the next preceding fiscal year

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

2. RESTRICTED ACCOUNTS (Continued)

as a “surplus requirement”. This can be used at anytime to replenish deficits in any other fund.

The following account is required by the 1985 General Bond Resolution:

Sewer Surplus Fund - Renewal and Replacement Account

	December 31, 2011	December 31, 2010
Cash and Cash Equivalents	\$ 250,056	\$ 250,030
Renewal and Replacement Requirement	250,000	250,000
Excess	\$ 56	\$ 30

The following accounts are required by the 1998 General Bond Resolution:

Water Bond Reserve Fund

	December 31, 2011	December 31, 2010
Investments, Cash and Cash Equivalents	\$ 10,622,988	\$ 10,622,698
Water Bond Reserve Requirement	9,879,282	9,879,282
Excess	\$ 743,706	\$ 743,416

Sewer Bond Reserve Fund

	December 31, 2011	December 31, 2010
Investments, Cash and Cash Equivalents	\$ 1,426,098	\$ 1,425,956
Sewer Bond Reserve Requirement	1,265,680	1,265,680
Excess	\$ 160,418	\$ 160,276

In addition, the 1998 General Bond Resolution established the Water Renewal and Replacement Requirement which was initially established as \$0.00. The amount of the requirement is equal to the amount determined and certified by the Authority’s consulting engineers. No amount has been certified as of December 31, 2011 and 2010.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

2. RESTRICTED ACCOUNTS (Continued)

H. Under the terms of the 1985 General Bond Resolution, the Authority has covenanted to make, impose, charge and collect sewer service charges so that the revenues collected (including user charges, interest earned on any fund, and other moneys available to and deposited by the Authority in the Revenue Fund and in the Surplus Fund to the extent said amounts exceed the Surplus Requirement) will be at least sufficient:

- (a) at all times to pay all operating expenses and maintain, preserve and keep the Sewer System in good repair, working order and condition, and
- (b) to provide in each fiscal year a sum equal to 110% of the debt service on Revenue Bonds for such fiscal year (except any part thereof, the payment of which has been provided for by the deposit of proceeds of Bonds in the Interest Fund) computed as of
- (c) the beginning of such fiscal year.

Under the terms of the 1998 General Bond Resolution, the Authority has covenanted to make, impose, charge and collect service charges so that Water Revenues for each fiscal year will be at least sufficient (1) to pay Water Operating Expenses in the fiscal year, (2) to pay all interest on and principal of all Water Bonds, the First Lien Water Bonds and any City Water Bonds as the same shall become due and payable without recourse to or withdrawal from the Water Bond Reserve Fund, (3) to pay all other amounts due under the Water System Service Contract and (4) to pay all other amounts that are required to be paid pursuant to the 1998 General Bond Resolution.

For purposes of this covenant, Water Revenues shall be deemed to include any funds, other than funds which have been borrowed by the Authority, which the authority deposits in the Water Revenue Fund, regardless of the source thereof (including moneys transferred from the Sewer General Fund).

In addition, the Authority has covenanted, among other things, to set Sewer Service Charges sufficient to provide funds in concert with Water Service Charges for the payments required under the Water System Service Contract. The Authority covenants and agrees that the Sewer Service Charges on an annual basis shall be sufficient to provide funds from the Sewer General Fund for the City Franchise Fee Payment Requirement not otherwise provided from the Water Service Charges. Such moneys shall be considered as Water Revenues and shall be deposited in the Water Revenue Fund for such purpose pursuant to the Resolution.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

N.J.S.A. 17:9-42 and the cash management plan adopted by the Authority requires the Authority to deposit funds in public depositories protected from loss under the provisions of the Government Unit Depository Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Custodial credit risk is the risk that, in the event of a bank or counterparty failure, the Authority will not be able to recover deposits and/or the value of its investments, or will not be able to recover collateral securities that are in the possession of an outside party.

Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits and/or investments. The Authority does not invest in foreign currency.

As of December 31, 2011 and 2010, none of the Authority’s bank balances of \$64,392,300 and \$45,833,926 was exposed to custodial credit risk or foreign currency risk.

As of December 31, 2011 and 2010, the Authority’s deposits are summarized as follows:

	2011	2010
Insured - FDIC	\$ 500,000	\$ 500,000
Insured - GUDPA	63,891,550	45,333,176
Petty cash	750	750
	\$64,392,300	\$45,833,926

During 2011 and 2010, the Authority had a compensating balance agreement with Capital One Bank in the amount of \$200,000.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

New Jersey Statutes permit the following investments for local funds:

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

During the years ended December 31, 2011 and 2010, the Authority invested primarily in money market funds, a FNMA note and a US Treasury Bill. The FNMA note had a A-1+ Standard and Poors' short-term bond rating, and a P-1+ Moody's short-term bond rating. US Government Bonds are not rated by any rating agency.

As of December 31, 2011 and 2010, the Authority had the following investments:

	<u>Maturities</u>	<u>Bond Rating</u>	<u>2011</u>	<u>2010</u>
FNMA	4/2/2012	A-1/P-1	7,707,000	-
U.S. T-Bill	6/2/2011	N/R	-	7,707,000
			<u>\$ 7,707,000</u>	<u>\$ 7,707,000</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2011 and 2010 the Authority also held \$23,968,623 and \$19,470,489 in a U.S. Government treasury security money market fund, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. At December 31, 2011 and 2010, the Authority did not have any investments which would expose it to interest rate risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2011 and 2010 the Authority's investments, other than deposits insured by FDIC and GUDPA, was limited to a short-term one year FNMA Note and a United States Treasury Bill, respectively.

Concentration of Credit Risk - The Authority places no formal limit on the amount it may invest in any one issuer. At December 31, 2011 and 2010, the Authority held approximately 12 % and 17% of its invest-able assets in one FNMA Note and a United States Treasury Bill, respectively.

4. RETIREMENT PLAN

The Authority contributes to the New Jersey Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit plan, administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The PERS was established in January 1955 under provisions of N.J.S.A. 43:15A and provides retirement, death, disability and medical benefits to certain qualifying plan members and beneficiaries. Membership is mandatory to substantially all full time employees and vesting occurs after 8 to 10 years of service. Employees who retire at or after age 60 are entitled to a retirement 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 credible service.

According to state law, all obligations of the PERS will be assumed by the State of New Jersey should the PERS be terminated. The State of New Jersey issues publicly available financial reports, which include the financial statements and required supplementary information of the PERS. This report 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.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

4. RETIREMENT PLAN (Continued)

The contribution policy is set by laws of the State of New Jersey. Contributions made by employees for the years ended December 31, 2011, 2010 and 2009 were 6.5%, 5.5% and 5.5%, respectively, of their base wages. Rates were increased to 6.5% effective July 1, 2011. Employers are required to contribute at an actuarially determined rate. The Authority and employees' contributions for the past three years were as follows:

<u>Year Ended</u>	<u>Authority Contribution</u>	<u>Authority Contribution as a percentage of covered payroll</u>	<u>Employee Contributions</u>
2011	\$ 634,213	10.23%	\$ 341,023
2010	\$ 547,864	9.09%	\$ 331,606
2009	\$ 274,089	4.40%	\$ 326,994

For 2011, 2010 and 2009, \$30,233, \$30,140 and \$30,049 respectively, was for the Early Retirement Incentive and \$23,786, \$-0- and \$-0-, respectively, was funded by the Chapter 19, P.L. 2009 Deferral.

5. CAPITAL ASSETS

A. Capital assets are stated at historical or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. In accordance with the GASB Statement No. 34, the Authority has recorded infrastructure assets, consisting mostly of sewer lines and improvements to sewer lines, as of January 1, 2002.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

5. CAPITAL ASSETS (Continued)

B. Capital assets include:

	<u>December 31, 2010</u>	<u>Additions/ Deletions/ Transfers</u>	<u>December 31, 2011</u>
Capital assets:			
Land and land rights	\$ 346,572	\$ -	\$ 346,572
Infrastructure and improvements	219,471,451	3,877,655	223,349,106
Equipment, meters and vehicles	26,492,714	6,254,680	32,747,394
	<u>246,310,737</u>	<u>10,132,335</u>	<u>256,443,072</u>
Less: accumulated depreciation:	<u>(136,941,955)</u>	<u>(6,631,000)</u>	<u>(143,572,955)</u>
	109,368,782	3,501,335	112,870,117
Add: work in progress (net)	<u>12,005,518</u>	<u>(1,670,837)</u>	<u>10,334,681</u>
	<u><u>\$ 121,374,300</u></u>	<u><u>\$ 1,830,498</u></u>	<u><u>\$ 123,204,798</u></u>

C. Assets capitalized, not including infrastructure assets, have an original cost of \$10,000 or more and over 5 years of useful life. Infrastructure assets capitalized have an original cost of \$50,000 or more. Depreciation is calculated on the straight line-basis for each of the Fixed Asset categories:

Structures and improvements	50 years
Major structural equipment	20 years
Land and building improvements	10 years
Heavy duty trucks	10 years
Furniture and equipment	5 years

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

6. LEASEHOLD INTEREST AND DUE TO CITY OF JERSEY CITY

The Authority has acquired a Leasehold Interest in the water system of the City, pursuant to the 1998 original franchise agreement and the 2003 amended franchise agreement. The Leasehold Interest is being amortized on a straight-line basis, over a 25 year period. Beginning in 2008, the Authority began funding significant water infrastructure projects and recognizes leasehold work in progress on the Statement of Net Assets. When completed and placed in service, these projects are recognized as leasehold capital projects. The projects are amortized over the remaining years of the lease with the City. The value of the Leasehold Interest at December 31, 2011 and 2010 net of accumulated amortization is as follows:

	December 31, 2010	Increase/ (Decrease)	December 31, 2011
Leasehold interest:			
Leasehold interest	\$ 109,613,303	\$ -	\$ 109,613,303
Additional franchise fee	42,000,000	-	42,000,000
Additional water debt issued	16,540,000	152,000	16,692,000
Leasehold interest capital projects	9,314,968	4,221,031	13,535,999
	177,468,271	4,373,031	181,841,302
Less: Accumulated Amortization	89,854,385	5,513,032	95,367,417
	87,613,886	(1,140,001)	86,473,885
Add: leasehold improvements work in progress	7,083,874	3,090,706	10,174,580
	\$ 94,697,760	\$ 1,950,705	\$ 96,648,465

As of December 31, 2011 and 2010, the Authority has paid the City \$113,118,303 and \$109,298,303 respectively, and has a balance due to the City of \$55,187,000 and \$58,855,000 respectively. The City refinanced certain city issued bonds payable by the Authority and the \$152,000 of costs of issuance was added to the principal amount due to the City during the year ended December 31, 2011. The balance due represents principal payments on City Issued Water Debt for which the Authority is responsible to reimburse the City, and \$14,000,000 of franchise fees payable to the City as of December 31, 2011. The schedule of principal payments on City Water Debt is detailed in Note 7I.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS

A. The Sewer Revenue Refunding Bonds, Series 1993

On October 1, 1993, the Authority issued \$66,765,000 of Sewer Revenue Refunding Bonds, Series 1993. The Bonds were issued to provide for: (a) the payment and defeasance of a portion of the Authority's Sewer Revenue Bonds, Series 1986; (b) the refunding of a portion of the Sewer Revenue and Refunding Bonds, Series 1989, issued as current interest bonds and as capital appreciation bonds; (c) the deposit of monies required by the Resolution; (d) the cost of bond insurance premiums; and (e) the costs and expense related to the issuance and delivery of the Bonds. The economic loss resulting from this transaction was \$6,685,936 which is being amortized over the remaining life of the 1993 Refunding Bonds. This amount has been recorded as a deferred charge on refunding, the net amount of which has reduced the liability for the 1993 Refunding Bonds on the balance sheet. In December 2007, the Authority issued the 2007 Sewer Revenue Refunding Bonds which refunded the 1993 Series B \$31,250,000 term Bond due 1/1/2019.

The maturities of the Sewer Refunding Bonds, Series 1993 are as follows:

Description	Original		Maturities		Balance December 31, 2010	Paid in 2011*	Balance December 31, 2011
	Date	Amount	Rate	Date			
Series 1993 -							
"A" Term Bonds	10/13/93	11,705,000	6.25	1/1/14	11,705,000	\$ 2,745,000	\$ 8,960,000
					\$ 11,705,000	\$ 2,745,000	\$ 8,960,000
Recapitulation of balance:					\$ 11,705,000		\$ 8,960,000
Less: Unamortized Deferred Charge on Refunding (Net)					(953,095)		(635,397)
					\$ 10,751,905		\$ 8,324,603
Current portion of bonds payable					\$ 2,745,000		\$ 2,915,000
Long-term portion of bonds payable					8,006,905		5,409,603
					\$ 10,751,905		\$ 8,324,603

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

B. Sewer Revenue Refunding Bonds, Series 1998

On October 1, 1998, the Authority issued \$23,800,000 of Sewer Revenue Refunding Bonds, Series 1998. The Bonds were issued to provide funds (a) to currently refund the remaining outstanding portion of the Authority's Sewer Revenue and Refunding Bonds, Series 1989; (b) to pay the costs associated with obtaining a Bond Reserve Credit Facility as satisfaction of the Sewer Bond Reserve Requirement; and (c) for payment of certain costs and expenses associated with the issuance of the Bonds. The economic loss resulting from this transaction was \$1,003,133 which is being amortized over the life of the 1998 Refunding Bonds. This amount has been recorded as a deferred charge on refunding, the net amount of which has reduced the liability for the 1998 Refunding Bonds on the Statement of Net Assets. In December 2005, the Authority issued the 2005 Sewer and Water Revenue Refunding Bonds which refunded the 12/01/06 principal due of \$1,760,000 and the 12/01/07 principal due of \$1,240,000.

The maturities of the Sewer Refunding Bonds, Series 1998 are as follows:

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2010		December 31, 2011
Series 1998 -								
Serial Bonds	10/1/98	\$ 23,800,000	5.25	12/1/12	1,560,000			
			5.25	12/1/13	1,645,000			
			5.25	12/1/14	1,725,000	\$ 6,410,000	\$ 1,480,000	\$ 4,930,000
Recapitulation of balance:						\$ 6,410,000		\$ 4,930,000
Less: Unamortized Deferred Charge on Refunding (Net)						(250,783)		(188,087)
						\$ 6,159,217		\$ 4,741,913
Current portion of bonds payable						\$ 1,480,000		\$ 1,560,000
Long-term portion of bonds payable						4,679,217		3,181,913
						\$ 6,159,217		\$ 4,741,913

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

C. Sewer Revenue Bonds, Series 2001A

On July 15, 2001, the Authority issued its \$11,100,000 Sewer Revenue Bonds, Series 2001A. The Series 2001A Bonds were issued to (i) current refund \$8,000,000 in Project Notes dated July 28, 2000; (ii) current refund \$1,700,000 Project Notes dated May 3, 2001; (iii) potentially fund a Bond Reserve; (iv) provide capitalized interest and (v) pay costs of issuance. The 2001 A Bonds were issued at an original issue discount of \$305,806 and bear interest at rates ranging from 3.5% to 5.217% and mature annually from 2004 through 2021. In December 2007, the Authority issued the 2007 Sewer Revenue Refunding Bonds which partially refunded \$300,000 of the payment due 7/15/21. On October 15, 2011, the Authority issued the 2011 Sewer Revenue Refunding Bonds which fully refunded the remaining \$7,000,000 due from July 15, 2012 through July 15, 2021. The maturities of the Sewer Revenue Bonds, Series 2001A as they were prior to refunding are as follows:

Description	Original		Maturities			Balance December 31, 2010	Refunded and Paid in 2011	Balance December 31, 2011
	Date	Amount	Rate	Date	Amount			
Series 2001A - Revenue Bonds	7/15/2001	\$ 11,100,000	5.20	7/15/12	575,000			
			5.20	7/15/13	605,000			
			5.20	7/15/14	635,000			
			5.20	7/15/15	670,000			
			5.20	7/15/16	705,000			
			5.20	7/15/17	740,000			
			5.20	7/15/18	780,000			
			5.20	7/15/19	820,000			
			5.20	7/15/20	865,000			
			5.217	7/15/21	605,000			
						<u>\$ 7,545,000</u>	<u>\$ 7,545,000</u>	<u>\$ -</u>
Current portion of bonds payable						\$ 545,000		\$ -
Long-term portion of bonds payable						<u>7,000,000</u>		<u>-</u>
						<u>\$ 7,545,000</u>		<u>\$ -</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

C. Sewer Revenue Bonds, Series 2001A (Continued)

The Series 2001A Bonds maturing on or after July 15, 2009, commencing July 15, 2008 are subject to redemption prior to maturity on any interest payment date at the redemption prices reflected below:

Redemption Period (Both Dates Inclusive)	Redemption Price
July 15, 2008 to July 15, 2009	102%
July 15, 2009 to July 15, 2010	101%
July 15, 2010 and Thereafter	100%

D. Water Revenue Bonds, Series 2003 A and B

On May 16, 2003, the Authority issued \$22,975,000 of Water Revenue Refunding Bonds, Series 2003 A and \$61,690,000 of Water Revenue Bonds Series 2003 B (Federally Taxable). The Bonds were issued to provide funds for (a) the defeasance of the Authority's outstanding 1998 Water bonds maturing in the years 2004 through 2008; (b) the payment to the City to extend the Water Franchise Service Agreement through March 28, 2028; (c) capitalized interest on the 2003 bonds through May 15, 2005; (d) deposits to the Water Bond Reserve Fund to fund the Water Bond Reserve Fund Requirement and the Surplus Fund Requirement under the Sewer Bond Resolution; and (e) for payment of certain costs and expenses associated with the issuance of the Bonds and with the negotiation of the extension to the Water Franchise and Service Agreement. The economic loss resulting from this transaction was \$1,844,503 which is being amortized over the life of the 2003 Refunding Bonds. This amount has been recorded as a deferred charge on refunding the net amount of which has reduced the liability for the 2003 Refunding Bonds on the statement of net assets. In December 2005, the Authority issued the 2005 Sewer and Water Revenue Refunding Bonds which refunded the May 15, 2006 principal due of \$3,665,000 and the May 15, 2007 principal due of \$3,760,000.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

D. Water Revenue Refunding Bonds, Series 2003 A and B (Continued)

The maturities of the Water Revenue Bonds, Series 2003A and B are as follows:

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2010		December 31, 2011
Series 2003 - Serial Bonds	5/16/03	\$ 43,155,000	4.550	5/15/12	4,515,000			
			4.760	5/15/13	4,725,000			
			4.810	5/15/14	4,950,000			
			4.910	5/15/15	5,185,000	\$ 23,700,000	\$ 4,325,000	\$ 19,375,000
Series 2003 "B" Term		14,170,000	5.420	5/15/20	14,170,000	14,170,000		14,170,000
Series 2003 "B" Term		27,340,000	5.470	5/15/27	27,340,000	27,340,000		27,340,000
						<u>\$ 65,210,000</u>	<u>\$ 4,325,000</u>	<u>\$ 60,885,000</u>
Recapitulation of balance:						\$ 65,210,000		\$ 60,885,000
Less: Deferred charge on refunding, net						(1,254,262)		(1,180,482)
						<u>\$ 63,955,738</u>		<u>\$ 59,704,518</u>
Current portion of bonds payable						\$ 4,150,000		\$ 4,515,000
Long-term portion of bonds payable						59,805,738		55,189,518
						<u>\$ 63,955,738</u>		<u>\$ 59,704,518</u>

E. Water Revenue Refunding Bonds Series 2005 A

On December 12, 2005 the Authority issued \$9,015,000 of Water Revenue Refunding Bonds, Series 2005 A (Federally Taxable). The Bonds were issued to provide funds for (a) the defeasance of the Authority's outstanding 2003 Water Bonds Maturing in the years 2006 and 2007; (b) deposit to the Water Bond Reserve Fund to fund the Water Bond Reserve Fund Requirement; (c) for payment of certain costs and expenses associated with the issuance of the Bonds. The economic

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

E. Water Revenue Refunding Bonds Series 2005 A (Continued)

gain for this transaction was \$67,619 which is being amortized over the life of the 2005 Refunding Bonds. This amount has been recorded as a deferred gain on refunding the net amount of which has increased the liability for the 2005 Refunding Bonds on the statement of net assets.

The maturities of the Water Revenue Bonds, Series 2005 A are as follows:

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2010		December 31, 2011
Series 2005 -								
Serial Bonds	12/12/05	\$ 9,015,000	5.600	11/15/12	1,150,000			
			5.600	11/15/13	1,210,000			
			5.600	11/15/14	1,280,000			
			4.910	11/15/15	1,350,000	\$ 6,075,000	\$ 1,085,000	\$ 4,990,000
Recapitulation of balance:						\$ 6,075,000		\$ 4,990,000
Plus: Unamortized gain on refunding, net						30,736		24,589
						<u>\$ 6,105,736</u>		<u>\$ 5,014,589</u>
Current portion of bonds payable						\$ 1,085,000		\$ 1,150,000
Long-term bonds payable						5,020,736		3,864,589
						<u>\$ 6,105,736</u>		<u>\$ 5,014,589</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

F. Sewer Revenue Bonds Series 2005 B

On December 12, 2005 the Authority issued \$7,985,000 of Sewer Revenue Refunding Bonds, Series 2005 B (Federally Taxable). The Bonds were issued to provide funds for (a) the defeasance of the Authority's outstanding 1993 and 1998 Sewer Bonds Maturing in the years 2006 and 2007; (b) deposit to the Sewer Bond Reserve Fund to fund the Sewer Bond Reserve Fund Requirement; (c) for payment of certain costs and expenses associated with the issuance of the Bonds. The economic loss for this transaction was \$134,427 which is being amortized over the life of the 2005 Refunding Bonds. This amount has been recorded as a deferred charge on refunding the net amount of which has decreased the liability for the 2005 Refunding Bonds on the statement of net assets.

The maturities of the Sewer Revenue Bonds, Series 2005 B are as follows:

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2010		December 31, 2011
Series 2005 -								
Serial Bonds	12/12/05	\$ 7,985,000	5.600	11/15/12	1,015,000			
			5.600	11/15/13	1,075,000			
			5.600	11/15/14	1,135,000			
			4.910	11/15/15	1,195,000	\$ 5,380,000	\$ 960,000	\$ 4,420,000
Recapitulation of balance:						\$ 5,380,000		\$ 4,420,000
Less: Deferred charge on refunding, net						(67,213)		(53,771)
						\$ 5,312,787		\$ 4,366,229
Current portion of bonds payable						\$ 960,000		\$ 1,015,000
Long-term bonds payable						4,352,787		3,351,229
						\$ 5,312,787		\$ 4,366,229

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

G. Sewer Revenue Refunding Bonds Series 2007 A

On October 31, 2007 the Authority issued \$31,370,000 of Sewer Revenue Refunding Bonds, Series 2007 A (Federally Tax Exempt). The Bonds were issued to provide funds for (a) the defeasance of the Authority's outstanding \$31,250,000 1993 Sewer Series A Term Bond Maturing in the years 2019 and \$300,000 of principal of the 2001 Sewer Revenue bonds maturing in the year 2021; (b) for payment of certain costs and expenses associated with the issuance of the Bonds. The economic loss for this transaction was \$95,261 which is being amortized over the life of the 2007 Refunding Bonds. This amount has been recorded as a deferred charge on refunding the net amount of which has decreased the liability for the 2007 Refunding Bonds on the statement of net assets.

The maturities of the Sewer Revenue Bonds, Series 2007 A are as follows:

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2010		December 31, 2011
Series 2007A - Revenue Refunding Bonds	10/31/2007	\$ 31,370,000	3.50	1/1/14	350,000			
			3.50	1/1/15	5,655,000			
			4.00	1/1/16	5,865,000			
			4.00	1/1/17	2,180,000			
			5.00	1/1/17	3,940,000			
			5.00	1/1/18	5,935,000			
			4.25	1/1/18	480,000			
			5.25	1/1/19	2,500,000			
			4.00	1/1/19	4,215,000			
						<u>\$ 31,120,000</u>	<u>\$ -</u>	<u>\$ 31,120,000</u>
Recapitulation of balance:						\$ 31,120,000		\$ 31,120,000
Less: Deferred charge on refunding, net						(70,123)		(62,184)
Long-term bonds payable						<u>\$ 31,049,877</u>		<u>\$ 31,057,816</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

H. Sewer Revenue and Refunding Bonds and Water Revenue Bonds Series 2011

On October 15, 2011, the Authority issued \$26,520,000 of Sewer Revenue and Refunding Bonds, Series 2011 (\$19,290,000 Revenue and \$7,230,000 Refunding). The Refunding Bonds were issued to provide funds for (a) current refunding of \$7,000,000 outstanding principal amount of its \$10,800,000 Sewer Revenue Bonds Series 2001 A-2 maturing on July 15, 2021 (AMT). The 2001 bonds were issued as AMT bonds, however the circumstances that existed at the time of issuance that necessitated their issuance on an AMT basis no longer exist. Therefore the 2011 bonds were issued on a tax exempt basis; (b) establish a debt service reserve fund; (c) pay for the costs of issuance. The Revenue Bonds were issued to provide funds to (i) currently refund and permanently finance the Authority's \$7,000,000 Project Note issued on November 1, 2010 when it came due on October 31, 2011, which was originally issued to fund various improvements to the Authority's Sewer System; and to (ii) currently refund and permanently finance a portion of the Authority's \$2,100,000 project note issued on February 15, 2011 when it came due on October 31, 2011 which was originally issued to fund the installation of storm-water drainage at Linden Avenue; and to (iii) finance various improvements to the sewer system, including but not limited to sewer separation, regulator and outfall improvements, sewer improvements and repairs and engineering, planning and design costs related to those projects; and to (iv) pay for all costs necessary or incidental to the foregoing; and to (v) fund a debt service reserve fund; and to (vi) pay for the costs of issuance.

On October 15, 2011, the Authority issued \$8,725,000 of Water Revenue Bonds, Series 2011. The Bonds were issued to provide funds to (a) currently refund and permanently finance the \$1,500,000 project note, issued on May 25, 2011, when it came due on October 31, 2011, which was originally issued to fund relocation and installation of the 18th Street water main; and to (b) finance various improvements to the water system including but not limited to improvements to Split Rock Dam, improvements to water mains and pipes, and engineering, planning and design costs; and to (c) pay for all costs necessary or incidental to the foregoing; (d) fund a debt service reserve fund; and to (e) pay for the costs of issuance.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
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DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

H. Sewer Revenue and Refunding Bonds and Water Revenue Bonds Series 2011 (Continued)

The maturities of the Sewer Revenue and Refunding Bonds, Series 2011 are as follows:

Description	Original		Maturities			Issued in 2011	Balance December 31, 2011
	Date	Amount	Rate	Date	Amount		
Series 2011 - Serial Bonds							
	10/15/11	\$ 26,520,000	3.000	10/15/12	665,000		
			3.000	10/15/13	675,000		
			3.000	10/15/14	695,000		
			3.000	10/15/15	715,000		
			3.000	10/15/16	735,000		
			3.000	10/15/17	760,000		
			3.000	10/15/18	780,000		
			3.375	10/15/19	805,000		
			4.000	10/15/20	1,360,000		
			3.750	10/15/21	1,415,000		
			5.000	10/15/22	1,470,000		
			4.000	10/15/23	1,540,000		
			4.000	10/15/24	1,605,000		
			4.250	10/15/25	1,665,000		
			4.250	10/15/26	1,740,000		
			4.250	10/15/27	1,810,000		
			4.500	10/15/28	1,890,000		
			4.500	10/15/29	1,975,000		
			4.500	10/15/30	2,065,000		
			4.500	10/15/31	2,155,000		
						\$ 26,520,000	\$ 26,520,000
Current portion of bonds payable							\$ 665,000
Long-term portion of bonds payable							25,855,000
							\$ 26,520,000

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

H. Sewer Revenue and Refunding Bonds and Water Revenue Bonds Series 2011 (Continued)

The maturities of the Water Revenue Bonds, Series 2011 are as follows:

Description	Original		Maturities			Issued in 2011	Balance December 31, 2011
	Date	Amount	Rate	Date	Amount		
Series 2011 -							
Serial Bonds	10/15/11	\$ 6,095,000	2.500	10/15/16	580,000		
			2.750	10/15/17	600,000		
			3.000	10/15/18	620,000		
			3.250	10/15/19	640,000		
			3.625	10/15/20	670,000		
			3.750	10/15/21	700,000		
			3.750	10/15/22	730,000		
			4.000	10/15/23	760,000		
			4.000	10/15/24	795,000	\$ 6,095,000	\$ 6,095,000
Series 2011							
Term		2,630,000	4.250	10/15/27	2,630,000	2,630,000	\$ 2,630,000
						<u>\$ 8,725,000</u>	<u>\$ 8,725,000</u>
Current portion of bonds payable							\$ -
Long-term portion of bonds payable							<u>8,725,000</u>
							<u>\$ 8,725,000</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

I. The maturities of the Water Debt issued by the City of Jersey City for which the Authority is responsible to reimburse the City the principal and interest amounts thereof, are as follows:

Description	Original		Maturities			Balance December 31, 2010	Issued/ (Paid) or (Refunded*) in 2011	Balance December 31, 2011
	Date	Amount	Rate	Date	Amount			
2003 Water Qualified Bonds	9/1/03	8,000,000				\$ 1,835,000	\$ (1,835,000) *	\$ -
2003 Water Qualified Bonds	3/1/03	5,000,000	Various	3/1/17 3/1/18-19 3/1/20-24	225,000 300,000 350,000	2,575,000		2,575,000
2004 Water Refunding Series	10/21/04	30,175,000	Various	9/1/12 9/1/13 9/1/14 9/1/15 9/1/16 9/1/17 9/1/18 9/1/19 9/1/20 9/1/21	1,930,000 1,900,000 1,875,000 1,855,000 2,060,000 2,065,000 2,175,000 945,000 1,035,000 1,020,000	18,825,000	(1,965,000)	16,860,000
2005 Water Qualified Series	5/15/05	5,000,000	Various	5/15/17 5/15/18 5/15/19 5/15/20	390,000 405,000 420,000 440,000	1,655,000		1,655,000
2006 Qualified Water Refunding Bonds Series D	03/22/06	6,600,000	4.00 4.00 4.00 4.00 4.00 4.125 4.125	9/1/16 9/1/17 9/1/18 9/1/19 9/1/20 9/1/21 9/1/22	80,000 990,000 1,030,000 1,075,000 1,115,000 1,160,000 1,210,000	6,660,000	-	6,660,000
					sub totals	31,550,000	(3,800,000)	27,750,000

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

Description	Original		Maturities			Balance December 31, 2010	(Paid) in 2011	Balance December 31, 2011
	Date	Amount	Rate	Date	Amount			
2006 Qualified Water Series B	10/24/2006	5,000,000	4.125	8/1/12	305,000			
			4.125	8/1/13	315,000			
			4.250	8/1/14	330,000			
			4.250	8/1/15	340,000			
			4.250	8/1/16	355,000			
			4.250	8/1/17	370,000			
			4.250	8/1/18	385,000			
			4.250	8/1/19	400,000			
			4.250	8/1/20	415,000			
			4.250	8/1/21	435,000	3,940,000	(290,000)	3,650,000
2007 Qualified Water Series B	4/25/2007	10,930,000	4.000	9/1/12	1,530,000			
			4.000	9/1/13	1,485,000			
			4.000	9/1/14	755,000			
			4.000	9/1/15	20,000			
			4.000	9/1/16	20,000			
			4.000	9/1/17	235,000			
			4.000	9/1/18	240,000			
			4.000	9/1/19	250,000			
			4.000	9/1/20	260,000			
			4.125	9/1/21	265,000			
			4.125	9/1/22	280,000			
			4.250	9/1/23	290,000			
			4.375	9/1/24-28	10,000			
			4.375	9/1/29	390,000			
			4.375	9/1/30	405,000			
			4.375	9/1/31	425,000			
			4.375	9/1/32	440,000			
			4.375	9/1/33	460,000	9,365,000	(1,565,000)	7,800,000
					sub totals	13,305,000	(1,855,000)	11,450,000

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
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DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

Description	Original		Maturities			Balance December 31, 2010	Issued/ (Paid) in 2011	Balance December 31, 2011
	Date	Amount	Rate	Date	Amount			
2011 Water Refunding Bonds	9/1/2011	1,987,000	2.000	9/1/12	32,000			
			2.500	9/1/13	15,000			
			2.500	9/1/14	15,000			
			2.000	9/1/15	15,000			
			2.125	9/1/16	220,000			
			2.125	9/1/17	10,000			
			2.250	9/1/18	10,000			
			2.625	9/1/19	10,000			
			3.125	9/1/22	10,000			
			3.500	9/1/24	305,000			
			3.500	9/1/25	320,000			
			3.500	9/1/26	330,000			
			3.500	9/1/27	340,000			
			3.500	9/1/28	355,000			
						-	1,987,000	1,987,000
Total						<u>\$ 44,855,000</u>	<u>\$ (3,668,000)</u>	<u>\$ 41,187,000</u>
Current Portion of Due to City of Jersey City						\$ 3,820,000		\$ 3,797,000
Long Term Portion of Due to City of Jersey City						41,035,000		37,390,000
						<u>\$ 44,855,000</u>		<u>\$ 41,187,000</u>

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. New Jersey Environmental Infrastructure Trust Loans (NJEIT) - Series 1999, 2001, 2007, 2008, 2009 and 2010.

The Authority has received several loans from the New Jersey Environmental Infrastructure Trust (NJEIT.) The loans were obtained to provide financing for construction and/or improvements to the Authority's water and sewer systems. Under the terms of the loans, the Authority pays its contractors for work performed and then submits for reimbursements to NJEIT. The amount disbursed to the Authority from NJEIT is drawn-down from the loan balance. The loans are structured so that principal and interest is due regardless of how much has been drawn-down on the loan.

The Authority's Sewer Division received a \$1,980,000 Trust Loan and a \$1,893,593 Fund Loan from the NJEIT during 1999. The Trust Loan bears interest at a rate of 4.75% to 5.70%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, the loan was completely drawn down.

The Authority's Sewer Division received a \$8,240,000 Trust Loan and a \$7,910,000 Fund Loan from NJEIT during 2001. The Trust Loan bears interest at a rate of 4.00% to 5.00%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, \$15,223,656 and \$15,223,656 has been drawn-down on the loan, leaving a receivable balance of \$-0- and \$596,344, respectively. During the year ended December 31, 2011, the remaining balance of \$596,344 was applied against future loans payable. \$330,000 of Costs of Issuance was withheld from loan drawdown by NJEIT. This, in addition to legal costs relating to the loan issuance by the Authority of approximately \$85,578 is being amortized over the life of the loan.

The Authority's Sewer Division received a \$3,350,000 Trust Loan and a \$9,113,366 Fund Loan from NJEIT during 2007. The Trust Loan bears interest at a rate of 3.4% to 5.0%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, \$10,755,414 and \$9,108,729 has been drawn-down on the loan. This leaves a receivable balance of \$1,395,740 and \$3,042,425, respectively. The difference, or \$312,212, relates to Costs of Issuance withheld from the loan drawdown by NJEIT. This, in addition to legal costs relating to the loan issuance by the Authority of approximately \$55,686 is being amortized over the life of the loan.

The Authority's Water Division received a \$3,295,000 Trust Loan and a \$9,223,341 Fund Loan from NJEIT during 2007. The Trust Loan bears interest at a rate of 3.4% to 5.0%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, \$11,925,741 and \$11,787,963 has been drawn-down on the loan. This leaves a receivable balance of \$372,047 and \$509,885, respectively. The difference, or \$220,553, relates to Costs of Issuance withheld from the loan drawdown by NJEIT. This, in addition to legal costs relating to the loan issuance by the Authority

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. The New Jersey Environmental Infrastructure Trust Loans (NJEIT) - Series 1999, 2001, 2007, 2008, 2009 and 2010 (Continued)

of approximately \$33,565 is being amortized over the life of the loan.

The Authority's Water Division received a \$285,000 Trust Loan and a \$805,524 Fund Loan from NJEIT during 2008. The Trust Loan bears interest at a rate of 5.0% to 5.5%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, \$-0- and \$-0- has been drawn-down on the loan. This leaves a receivable balance of \$1,074,032 and \$1,074,032, respectively. The Costs of Issuance withheld from the loan drawdown by NJEIT of \$16,492 is being amortized over the life of the loan.

The Authority's Sewer Division received a \$1,180,000 Trust Loan and a \$1,182,912 Fund Loan from NJEIT during 2010 (2010 Sewer). The Trust Loan bears interest at a rate of 3.5% to 5.0%, while the Fund Loan is a zero-interest loan. This loan had an ARRA grant portion which was fully expended and drawn-down in the prior year. At December 31, 2011 and 2010, \$389,907 and \$34,290 has been drawn-down on the loan. This leaves a receivable balance of \$1,975,917 and \$2,331,534, respectively. There was a small premium booked on this loan of \$2,912 which was amortized during 2010.

The Authority's Sewer Division received a supplemental \$510,000 Trust Loan and a \$1,530,896 Fund Loan from NJEIT during 2010 (Supplemental A). The Trust Loan bears interest at a rate of 2.0% to 5.0%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, \$-0- and \$-0- has been drawn-down on the loan. This leaves a receivable balance of \$2,041,195 at both December 31, 2011 and 2010. There was a small premium booked on this loan of \$299 which was amortized during 2010.

The Authority's Sewer Division received an additional supplemental \$1,715,000 Trust Loan and a \$1,842,860 Fund Loan from NJEIT during 2010 (Supplemental B). The Trust Loan bears interest at a rate of 5.0%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, \$3,240,252 and \$3,240,252 has been drawn-down on the loan. This leaves a receivable balance of \$445,468 at both December 31, 2011 and 2010. There was a premium booked on this loan of \$127,860 which is being amortized over the life of the loan.

The Authority's Water Division received a \$2,580,000 Trust Loan and a \$7,782,030 Fund Loan from NJEIT during 2010. The Trust Loan bears interest at a rate of 4.0% to 5.0%, while the Fund Loan is a zero-interest loan. At December 31, 2011 and 2010, \$8,881,030 and \$4,568,396 has been drawn-down on the loan. This leaves a receivable balance of \$1,495,010 and \$5,807,644, respectively. There was a premium booked on this loan of \$14,010 which was amortized in 2010.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. The following schedules detail the remaining principal payments and their due dates for each loan:

New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 1999 Sewer

Date	Maturities		Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
	Trust Loan	Fund Loan			
2/1/12		16,161			
8/1/12	115,000	88,195			
2/1/13		14,181			
8/1/13	120,000	89,346			
2/1/14		12,114			
8/1/14	125,000	90,411			
2/1/15		9,960			
8/1/15	135,000	94,521			
2/1/16		7,635			
8/1/16	140,000	95,328			
2/1/17		5,223			
8/1/17	150,000	99,180			
2/1/18		2,640			
8/1/18	155,000	99,728			
2/1/19		(126)			
8/1/19	165,000	103,225			
	<u>\$ 1,105,000</u>	<u>\$ 827,722</u>	<u>\$ 2,147,736</u>	<u>\$ 215,014</u>	<u>\$ 1,932,722</u>
Current Portion of Loan Payable			\$ 215,014		\$ 219,356
Long-term Portion of Loan Payable			<u>1,932,722</u>		<u>1,713,366</u>
			<u>\$ 2,147,736</u>		<u>\$ 1,932,722</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2001 Sewer

Date	Maturities		Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
	Trust Loan	Fund Loan			
2/1/12		84,804			
8/1/12	430,000	353,176			
2/1/13		78,093			
8/1/13	455,000	362,069			
2/1/14		70,994			
8/1/14	475,000	367,452			
2/1/15		63,582			
8/1/15	500,000	375,644			
2/1/16		55,781			
8/1/16	525,000	383,445			
2/1/17		47,589			
8/1/17	550,000	390,857			
2/1/18		39,008			
8/1/18	580,000	400,999			
2/1/19		29,958			
8/1/19	610,000	410,672			
2/1/20		20,440			
8/1/20	640,000	419,878			
2/1/21		10,454			
8/1/21	371,826	130,441			
	<u>\$ 5,136,826</u>	<u>\$ 4,095,336</u>	<u>\$ 10,676,798</u>	<u>\$ 1,444,636</u>	<u>\$ 9,232,162</u>
Current Portion of Loan Payable			\$ 848,290		\$ 867,980
Long-term Portion of Loan Payable			<u>9,828,508</u>		<u>8,364,182</u>
			<u>\$ 10,676,798</u>		<u>\$ 9,232,162</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2007 Sewer

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
2/1/12		121,328			
8/1/12	135,000	368,545			
2/1/13		117,126			
8/1/13	140,000	373,499			
2/1/14		112,639			
8/1/14	145,000	378,168			
2/1/15		107,860			
8/1/15	145,000	373,389			
2/1/16		101,221			
8/1/16	155,000	385,063			
2/1/17		94,125			
8/1/17	160,000	387,123			
2/1/18		86,801			
8/1/18	170,000	398,110			
2/1/19		79,018			
8/1/19	180,000	408,640			
2/1/20		72,425			
8/1/20	185,000	411,204			
2/1/21		65,650			
8/1/21	195,000	422,740			
2/1/22		56,722			
8/1/22	205,000	432,125			
2/1/23		47,337			
8/1/23	215,000	441,053			
2/1/24		38,971			
8/1/24	225,000	450,999			
2/1/25		29,700			
8/1/25	235,000	460,040			
2/1/26		20,018			
8/1/26	245,000	468,670			
2/1/27		9,923			
8/1/27	255,000	476,888			
	<u>\$ 2,990,000</u>	<u>\$ 7,797,120</u>	<u>\$ 11,395,126</u>	<u>\$ 608,006</u>	<u>\$ 10,787,120</u>
Current Portion of Loan Payable			\$ 608,006		\$ 624,873
Long-term Portion of Loan Payable			10,787,120		10,162,247
			<u>\$ 11,395,126</u>		<u>\$ 10,787,120</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2007 Water

Date	Maturity Trust Loan	Fund Loan	Balance	Paid in	Balance
			December 31, 2010	2011	December 31, 2011
2/1/12		120,882			
8/1/12	130,000	362,301			
2/1/13		116,778			
8/1/13	135,000	367,483			
2/1/14		112,390			
8/1/14	140,000	372,381			
2/1/15		107,710			
8/1/15	145,000	376,986			
2/1/16		100,978			
8/1/16	155,000	388,825			
2/1/17		93,782			
8/1/17	160,000	390,914			
2/1/18		86,354			
8/1/18	170,000	402,057			
2/1/19		78,461			
8/1/19	175,000	403,450			
2/1/20		71,962			
8/1/20	185,000	415,521			
2/1/21		65,090			
8/1/21	190,000	417,935			
2/1/22		56,269			
8/1/22	200,000	427,684			
2/1/23		46,984			
8/1/23	210,000	436,970			
2/1/24		38,697			
8/1/24	220,000	447,253			
2/1/25		29,504			
8/1/25	230,000	456,632			
2/1/26		19,894			
8/1/26	240,000	465,592			
2/1/27		9,866			
8/1/27	250,000	474,137			
	<u>\$ 2,935,000</u>	<u>\$ 7,761,722</u>	<u>\$ 11,307,226</u>	<u>\$ 610,504</u>	<u>\$ 10,696,722</u>
Current Portion of Loan Payable			\$ 610,504		\$ 613,183
Long-term Portion of Loan Payable			10,696,722		10,083,539
			<u>\$ 11,307,226</u>		<u>\$ 10,696,722</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2008 Water

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
2/1/12		11,754			
8/1/12	10,000	29,023			
2/1/13		11,322			
8/1/13	10,000	28,591			
2/1/14		10,890			
8/1/14	10,000	28,160			
2/1/15		10,459			
8/1/15	10,000	27,728			
2/1/16		10,027			
8/1/16	10,000	27,296			
2/1/17		9,595			
8/1/17	15,000	35,499			
2/1/18		8,948			
8/1/18	15,000	34,852			
2/1/19		8,300			
8/1/19	15,000	34,204			
2/1/20		7,620			
8/1/20	15,000	33,524			
2/1/21		6,908			
8/1/21	15,000	32,812			
2/1/22		6,195			
8/1/22	15,000	32,099			
2/1/23		5,483			
8/1/23	20,000	40,022			
2/1/24		4,533			
8/1/24	20,000	39,072			
2/1/25		3,670			
8/1/25	20,000	38,208			
2/1/26		2,806			
8/1/26	20,000	37,345			
2/1/27		1,943			
8/1/27	20,000	36,481			
2/1/28		1,079			
8/1/28	25,000	44,253			
	<u>\$ 265,000</u>	<u>\$ 700,701</u>	<u>\$ 1,017,342</u>	<u>\$ 51,641</u>	<u>\$ 965,701</u>
Current Portion of Loan Payable			\$ 51,641		\$ 50,777
Long-term Portion of Loan Payable			965,701		914,924
			<u>\$ 1,017,342</u>		<u>\$ 965,701</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. The New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2010 Sewer ARRA

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
2/1/12		20,753			
8/1/12	40,000	41,505			
2/1/13		20,753			
8/1/13	45,000	41,505			
2/1/14		20,753			
8/1/14	45,000	41,505			
2/1/15		20,753			
8/1/15	50,000	41,505			
2/1/16		20,753			
8/1/16	50,000	41,505			
2/1/17		20,753			
8/1/17	55,000	41,505			
2/1/18		20,753			
8/1/18	55,000	41,505			
2/1/19		20,753			
8/1/19	60,000	41,505			
2/1/20		20,753			
8/1/20	60,000	41,505			
2/1/21		20,753			
8/1/21	65,000	41,505			
2/1/22		20,753			
8/1/22	65,000	41,505			
2/1/23		20,753			
8/1/23	70,000	41,505			
2/1/24		20,753			
8/1/24	70,000	41,505			
2/1/25		20,753			
8/1/25	75,000	41,505			
2/1/26		20,753			
8/1/26	80,000	41,505			
2/1/27		20,753			
8/1/27	80,000	41,505			
2/1/28		20,753			
8/1/28	85,000	41,505			
2/1/29		20,753			
8/1/29	90,000	41,515			
	<u>\$ 1,140,000</u>	<u>\$ 1,120,654</u>	<u>\$ 2,362,912</u>	<u>\$ 102,258</u>	<u>\$ 2,260,654</u>
Current Portion of Loan Payable			\$ 102,258		\$ 102,258
Long-term Portion of Loan Payable			2,260,654		2,158,396
			<u>\$ 2,362,912</u>		<u>\$ 2,260,654</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. The New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2010 Sewer Supplemental A

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
2/1/12		26,858			
8/1/12	20,000	53,715			
2/1/13		26,858			
8/1/13	20,000	53,715			
2/1/14		26,858			
8/1/14	20,000	53,715			
2/1/15		26,858			
8/1/15	20,000	53,715			
2/1/16		26,858			
8/1/16	20,000	53,715			
2/1/17		26,858			
8/1/17	25,000	53,715			
2/1/18		26,858			
8/1/18	25,000	53,715			
2/1/19		26,858			
8/1/19	25,000	53,715			
2/1/20		26,858			
8/1/20	25,000	53,715			
2/1/21		26,858			
8/1/21	30,000	53,715			
2/1/22		26,858			
8/1/22	30,000	53,715			
2/1/23		26,858			
8/1/23	30,000	53,715			
2/1/24		26,858			
8/1/24	30,000	53,715			
2/1/25		26,858			
8/1/25	30,000	53,715			
2/1/26		26,858			
8/1/26	35,000	53,715			
2/1/27		26,858			
8/1/27	35,000	53,715			
2/1/28		26,858			
8/1/28	35,000	53,715			
2/1/29		26,858			
8/1/29	40,000	53,724			
	<u>\$ 495,000</u>	<u>\$ 1,450,323</u>	<u>\$ 2,040,896</u>	<u>\$ 95,573</u>	<u>\$ 1,945,323</u>
Current Portion of Loan Payable			\$ 95,573		\$ 100,573
Long-term Portion of Loan Payable			1,945,323		1,844,750
			<u>\$ 2,040,896</u>		<u>\$ 1,945,323</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. The New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2010 Sewer Supplemental B

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
2/1/12		31,235			
8/1/12	55,000	62,470			
2/1/13		31,235			
8/1/13	60,000	62,470			
2/1/14		31,235			
8/1/14	60,000	62,470			
2/1/15		31,235			
8/1/15	65,000	62,470			
2/1/16		31,235			
8/1/16	70,000	62,470			
2/1/17		31,235			
8/1/17	70,000	62,470			
2/1/18		31,235			
8/1/18	75,000	62,470			
2/1/19		31,235			
8/1/19	80,000	62,470			
2/1/20		31,235			
8/1/20	85,000	62,470			
2/1/21		31,235			
8/1/21	90,000	62,470			
2/1/22		31,235			
8/1/22	90,000	62,470			
2/1/23		31,235			
8/1/23	95,000	62,470			
2/1/24		31,235			
8/1/24	100,000	62,470			
2/1/25		31,235			
8/1/25	105,000	62,470			
2/1/26		31,235			
8/1/26	110,000	62,470			
2/1/27		31,235			
8/1/27	115,000	62,470			
2/1/28		31,235			
8/1/28	125,000	62,470			
2/1/29		31,235			
8/1/29	130,000	62,470			
2/1/30		31,235			
8/1/30	135,000	62,465			
	<u>\$ 1,715,000</u>	<u>\$ 1,780,390</u>	<u>\$ 3,557,861</u>	<u>\$ 62,471</u>	<u>\$ 3,495,390</u>
Current Portion of Loan Payable			\$ 62,471		\$ 148,705
Long-term Portion of Loan Payable			3,495,390		3,346,685
			<u>\$ 3,557,861</u>		<u>\$ 3,495,390</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

J. The New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2010 Water

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2010	Paid in 2011	Balance December 31, 2011
2/1/12		136,527			
8/1/12	95,000	273,054			
2/1/13		136,527			
8/1/13	95,000	273,054			
2/1/14		136,527			
8/1/14	100,000	273,054			
2/1/15		136,527			
8/1/15	105,000	273,054			
2/1/16		136,527			
8/1/16	110,000	273,054			
2/1/17		136,527			
8/1/17	115,000	273,054			
2/1/18		136,527			
8/1/18	125,000	273,054			
2/1/19		136,527			
8/1/19	130,000	273,054			
2/1/20		136,527			
8/1/20	135,000	273,054			
2/1/21		136,527			
8/1/21	140,000	273,054			
2/1/22		136,527			
8/1/22	145,000	273,054			
2/1/23		136,527			
8/1/23	150,000	273,054			
2/1/24		136,527			
8/1/24	160,000	273,054			
2/1/25		136,527			
8/1/25	165,000	273,054			
2/1/26		136,527			
8/1/26	170,000	273,054			
2/1/27		136,527			
8/1/27	175,000	273,054			
2/1/28		136,527			
8/1/28	185,000	273,054			
2/1/29		136,527			
8/1/29	190,000	273,045			
	<u>\$ 2,490,000</u>	<u>\$ 7,372,449</u>	<u>\$ 10,362,030</u>	<u>\$ 499,581</u>	<u>\$ 9,862,449</u>
Current Portion of Loan Payable			\$ 499,581		\$ 504,581
Long-term Portion of Loan Payable			9,862,449		9,357,868
			<u>\$ 10,362,030</u>		<u>\$ 9,862,449</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

7. LONG-TERM OBLIGATIONS (Continued)

K. The Sewer Project Notes

On November 8, 2009, the Authority issued a one year \$11,200,000 Sewer Project Note bearing an interest rate of 1.25%. On November 9, 2010 the Authority retired \$11,200,000 in Sewer Project Notes bearing an interest rate of 1.25% and issued \$7,000,000 in Sewer Project Notes at 1.32%. The Authority used a portion of the 2010 NJEIT Sewer Supplemental Series B loan to permanently finance \$4,200,000 of the 2009 Sewer Project Note. In October of 2011, the remaining \$7,000,000 sewer project note was permanently financed through the issuance of the 2011 Sewer Revenue and Refunding Bonds. There were \$2,100,000 of Sewer and \$1,500,000 of Water Project Notes issued and permanently financed during the year ended December 31, 2011.

L. The Schedule of Annual Debt Service

Schedule of Annual Debt Service for
Principal and Interest for the Next
Five Years and Thereafter for Bonded Debt Issued and Outstanding

Year	<u>Authority Issued Debt</u>			<u>City Issued Debt</u>		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 15,052,286	\$ 8,024,879	\$ 23,077,165	\$ 3,797,000	\$ 1,679,165	\$ 5,476,165
2013	16,059,605	7,100,729	23,160,334	3,715,000	1,565,935	5,280,935
2014	21,711,716	6,383,621	28,095,337	2,975,000	1,439,225	4,414,225
2015	17,678,957	5,641,690	23,320,647	2,230,000	1,328,625	3,558,625
2016	13,416,717	5,015,423	18,432,140	2,735,000	1,211,458	3,946,458
2017-2021	53,456,202	17,536,830	70,993,032	19,075,000	3,367,091	22,442,091
2022-2026	43,926,135	8,644,151	52,570,286	3,795,000	701,067	4,496,067
2027-2031	20,426,627	1,531,252	21,957,879	695,000	357,608	1,052,608
2032-2033		-	-	2,170,000	126,583	2,296,583
Total	<u>\$ 201,728,245</u>	<u>\$ 59,878,575</u>	<u>\$ 261,606,820</u>	<u>\$ 41,187,000</u>	<u>\$ 11,776,757</u>	<u>\$ 52,963,757</u>

M. Defeasance of Debt

In 1985, 1989, 1993, 1998, 2003, 2005, 2007 and 2011 the Authority issued refunding bonds to defease certain obligations by placing certain proceeds of these new bonds in an irrevocable escrow to provide for all future debt service payments on the old bonds. The escrow assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2011 and 2010, the total amount of defeased debt outstanding was \$38,550,000 and \$31,550,000, respectively.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

8. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GAAP and accrual accounting principles, the costs associated with post-employment healthcare benefits (OPEB), generally should be associated with the periods in which the cost occurs, rather than in a future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2007 and for all years thereafter, the Authority recognizes the cost of OPEB in the year when the employee services are received, reports the accumulated liability (as calculated on a triennial basis) from prior years and provides information useful in assessing potential demands on the Authority's cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The most recent actuarial valuation was performed as of December 31, 2010.

Brief description of the retiree health insurance plan:

- a. Plan Types: The Authority provides hospitalization, major medical, prescription, dental and optical coverage for a period of eighteen (18) months post-retirement after retirement approved by the State of New Jersey PERS.
- b. Eligibility: Qualifying retirees are defined as those who retire from the Authority through the PERS with either: (i) a minimum of 25 years of continued Authority employment; or (ii) a minimum of 20 years of service and are at least 62 years of age.
- c. Benefit/Cost Sharing: After the 18th month of post-retirement, the Authority retains the employee and spouse on the current hospitalization/major medical plan until such time as he/she are Medicare eligible.

The Authority retains the employee and spouse on the current prescription plan for lifetime coverage.

The Authority does not continue dental or optical coverage beyond the 18th month.
- d. Spouse Benefit: Yes
- e. Surviving Spouse: Yes

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

f. Monthly Premiums:

<u>Pre-65</u>	<u>Retiree Only</u>	<u>Retiree & Spouse</u>
Oxford	\$ 731.57	\$ 1,592.82
GSPOPS Rx	\$ 203.56	\$ 547.46
BC Dental	\$ 46.93	\$ 122.76
JCMUA Optical	\$ 150.00	\$ 300.00
<u>65 and over</u>		
Medicare eligible		
Reimbursement	\$ 264.08	\$ 528.16
BC Rx	203.57	547.46

Annual OPEB and Net OPEB Obligation:

	<u>Fiscal Year Ending 12/31/2009</u>	<u>Fiscal Year Ending 12/31/2010</u>	<u>Fiscal Year Ending 12/31/2011</u>
Annual required contribution (ARC) normal cost	\$ 664,167	\$ 814,543	\$ 843,811
Amortization of unfunded actuarial accrued liability (UAAL)	649,370	661,179	725,530
ARC	1,313,537	1,475,722	1,569,341
Interest on net OPEB obligation	86,251	119,049	165,139
Adjustment to ARC	(72,569)	(120,628)	(172,007)
Annual OPEB Cost	1,327,219	1,474,143	1,562,473
less: Contributions made	267,685	321,895	352,475
Increase in net OPEB obligation	\$ 1,059,534	\$ 1,152,248	\$ 1,209,998
Net OPEB obligation Beginning of year	\$ 1,916,693	\$ 2,976,227	\$ 4,128,475
Net OPEB obligation December 31	<u>\$ 2,976,227</u>	<u>\$ 4,128,475</u>	<u>\$ 5,338,473</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarial determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to the valuation date. Actuarial calculations reflect a long-term perspective.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended December 31, 2011, 2010 and 2009 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Payroll
12/31/2009	1,327,219	20.2%	2,976,227	5,038,474	26.3%
12/31/2010	1,474,143	21.8%	4,128,475	5,540,414	26.6%
12/31/2011	1,562,473	22.6%	5,338,473	5,734,432	27.2%

The funded status and funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2009	-	\$16,164,003	\$16,164,003	0%	\$5,038,474	321%
12/31/2010	-	\$16,965,661	\$16,965,661	0%	\$5,540,414	306%
12/31/2011	-	\$18,110,552	\$18,110,552	0%	\$5,734,432	316%

Actuarial methods and assumptions used:

Funding Interest Rate:	4.0 %
Medical Trend Growth Rate:	9.5%
Ultimate Medical Trend Rate:	5.0%
Year Ultimate Trend Rates Reached:	2019
Actuarial Cost Method:	Entry Age Normal
Annual Pay Growth Rate:	3.5%
Amortization of UAAL:	30 year level % of pay
Remaining amortization period at 12-31-2010:	26.32
Mortality:	RP-2000 Combined Mortality Table

The Authority currently pays for postemployment healthcare benefits on a pay-as-you-go basis.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

9. RESERVE FOR ARBITRAGE

The Authority calculates and monitors the arbitrage requirements for certain bond issues. The applicable arbitrage yield requirements have been determined by Bond Counsel. An outside consultant, Benecke Economics, advised the Authority that no rebate was due covering the period January 1, 2001 through December 31, 2006. The Authority is in the process of having arbitrage rebate (if any) calculated by an outside consultant.

10. CONTRIBUTED CAPITAL - WATER

Water accounts receivable due to the City at February 1, 1998 were assigned to the Authority. The Authority has recorded contributed capital for that portion of the receivable that the Authority deemed collectible.

11. CONTRIBUTED CAPITAL - SEWER

The Authority has received various grants to fund sewer improvements. These grant funds have been recorded as contributed capital. Depreciation related to these sewer improvements is being charged against the respective contributed capital account.

In accordance with Statement No. 34, the Authority has recorded infrastructure assets effective January 1, 2002. These infrastructure assets consist mostly of sewer lines and improvements to sewer lines which were paid for by the City. Accordingly, the Authority has recorded contributed capital for the un-depreciated value of these assets as of January 1, 2002.

12. COMPENSATED ABSENCES

The Authority employees accrue sick time of ten hours per month after their third full month of employment. Accrued sick time owed to employees amounted to \$124,239 and \$124,521 at December 31, 2011 and 2010, respectively. The Authority's union employees cannot accrue vacation time. Non-union employees can accrue the prior year's vacation but must use it during the current year. The accrued vacation pay for non-union employees amounted to \$96,228 and \$74,756 at December 31, 2011 and 2010, respectively.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

13. USER RATES

SEWER RATE	
Effective Dates	Rate per 100 Cubic Feet of Water Consumed
1/1/11	4.88
1/1/10	4.70
1/1/09	3.25
WATER RATE	
Effective Dates	Rate per 100 Cubic Feet of Water Consumed
1/1/11	3.58
1/1/10	3.45
1/1/09	3.33

On December 29, 2005 the Commissioners of the Authority adopted resolution 12/05/17 which provides for annual rate increases of 3.75%, effective each January 1st in the years 2006-2015. On October 29, 2009 the Commissioners of the Authority adopted resolution 10/09/06 which authorized sewer and water rates of \$4.70 and \$3.45, respectively, effective January 1, 2010. In accordance with resolution 12/05/17, these rates will increase 3.75% each January 1st through 2015, ending with sewer and water rates of \$5.65 and \$4.14, respectively.

14. CONTINGENT LIABILITIES AND LITIGATION

On December 13, 2005, the NJDEP, the Commissioner of the NJDEP and the Administrator of the NJ Spill Compensation Fund filed suit against Occidental Chemical Corporation, Tierra Solutions, Inc., Maxus Energy Corporation, Respol YPF, SA., YPF Holdings, Inc. and CLH Holdings (Collectively the “Defendants”). The NJDEP complaint seeks to recover from the Defendants past and future cleanup and removal costs, economic damages and punitive damages, penalties and other relief as a result of the entities allegedly discharging into the Passaic River, 2,3,7,8 tetrachlorodibenzo p dioxin and other hazardous substances from their plant that operated at 80 Lister Avenue, Newark. On February 9, 2009, Tierra and Maxus filed a Third Party Complaint against several NJ state agencies, numerous municipalities and municipal entities including the Authority. In the Third Party Complaint, the Defendants seek to recover a proportionate share of the cleanup and removal costs, and damages for which Maxus and Tierra may be found liable and for which they have already been found liable and incurred. Tierra and Maxus have already agreed with the State of NJ to undertake a removal action with respect to the Passaic River that is estimated to cost between \$100 and \$200 million dollars.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

14. CONTINGENT LIABILITIES AND LITIGATION (Continued)

The Authority has timely answered the complaint. On September 3, 2010 the Authority was among a group of Third Party Defendants who moved to dismiss various counts of the Third Party Complaint based upon, among other reasons, the Third Party Plaintiffs' failure to provide adequate notice under the Tort Claims Act and the Environmental Rights Act ("ERA"). The ERA count was dismissed against the Authority, but the motions otherwise were denied by the Special Master. Under the court mandated trial plan, it is anticipated that this case will not be resolved until 2014. The anticipated aggregate exposure for all third parties is still unknown. The Authority has not booked a liability for its potential exposure.

The Authority has also been named as a defendant in several pending lawsuits which are neither unusual nor unique for an Authority of this size. It is the opinion of management and the Authority's attorney that the total potential claims are not material to the financial statements.

At December 31, 2011 and 2010 the Authority had \$4,449,036 and \$8,485,442, respectively, of open construction contracts payable.

15. NET ASSETS

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

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

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

Unrestricted: Net assets that do not meet the definition of invested in capital assets and leasehold interest, net of related debt or restricted.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

15. NET ASSETS (Continued)

Sewer Net Asset amounts were calculated as follows:

	Sewer Fund December 31, 2011	Sewer Fund December 31, 2010
Invested in Capital Assets, Net of Related Debt		
Net Capital Assets	\$ 123,204,798	\$ 121,374,300
Sewer Refunding Bonds Payable (Net of unspent proceeds)	(60,592,910)	(55,088,785)
Bonds Payable (Current portion)	(8,218,745)	(7,661,612)
Sewer Capital Notes Payable (Net of unspent proceeds)	-	(7,000,000)
NJ Environmental Infrastructure Loan Payable Series 1999, 2001, 2007, 2009 and 2010	(21,731,308)	(21,792,751)
Bond issuance costs, discounts, premiums, net	1,478,300	1,029,177
	34,140,135	30,860,329
Restricted		
Unspent Bond proceeds	8,262,651	
Sewer Revenue Bonds Payable	(8,262,651)	-
Loan Receivable	5,858,320	8,456,966
NJ Environmental Infrastructure Loan Payable - Series 1999, 2001, 2007, 2009 and 2010	(5,858,320)	(8,456,966)
Renewal and Replacement	250,000	250,000
	250,000	250,000
Unrestricted Net Assets	(4,230,769)	(6,851,464)
TOTAL NET ASSETS	\$ 30,159,366	\$ 24,258,865

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

15. NET ASSETS (Continued)

Water Net Asset amounts were calculated as follows:

	Water Fund December 31, 2011	Water Fund December 31, 2010
Invested in Leasehold Interest, Net of Related Debt		
Net Leasehold Interest	\$ 96,648,465	\$ 94,697,760
Water Revenue Bonds Payable (Net of unspent proceeds)	(61,311,107)	(57,060,474)
Bonds Payable (Current portion)	(6,833,541)	(6,571,726)
Due to Jersey City	(51,390,000)	(55,035,000)
Due to Jersey City (Current portion)	(3,797,000)	(3,820,000)
NJ Environmental Infrastructure Loan Payable - Series 2007, 2008 and 2010	(17,415,242)	(14,116,819)
Bond issuance costs, discounts, premiums, net	2,053,461	1,778,121
	(42,044,964)	(40,128,138)
Restricted		
Loan Receivable	2,941,089	7,408,053
NJ Environmental Infrastructure Loan Payable - Series 2007, 2008 and 2010	(2,941,089)	(7,408,053)
Unspent Bond Proceeds	6,468,000	7,591,000
Water Revenue Bonds Payable	(6,468,000)	(7,591,000)
	-	-
Total Restricted		
	55,271,965	42,527,155
Unrestricted Net Assets		
	\$ 13,227,001	\$ 2,399,017
TOTAL NET ASSETS		

16. CONNECTION FEES

The Authority charges a fee for new connections to its Water and Sewer systems. At December 31, 2011 and 2010 the fee for water connections was based on the size of the new water line and for sewer connections was \$1,791 per equivalent dwelling unit.

On March 6, 2006, The Authority and the City of Jersey City entered into an agreement with the North Bergen Municipal Utilities Authority and The Township of North Bergen to allow North Bergen to use excess capacity in the Authority's sewer system for a term of 25 years. The agreement allows North Bergen to transport sewerage through the Authority's system to Passaic Valley Sewerage Commission (PVSC). North Bergen agreed to pay for improvements to the Authority's pump station and grit chamber. They will also pay for the cost to connect to the Authority's system. The Authority received an upfront initial fee of \$8,000,000. The Authority will also receive an annual operations and maintenance fee ranging from \$306,500 in the first year of operations (2011) to \$988,493 in the twenty-fifth year (2035). Operations began in April of 2011. North Bergen will pay the cost of sewerage treatment directly to PVSC.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

17. RISK MANAGEMENT

The Authority is exposed to various property and casualty risks including property damage caused to any of the Authority's property, motor vehicles, equipment or apparatus; liability resulting from the use or operation of such motor vehicles, equipment or apparatus; liability from the Authority's negligence, including that of its officers, employees and servants and workers' compensation obligations. The Authority holds commercial insurance policies which insure against the risk of loss for all above mentioned. The Authority discontinued its policy of "self-insuring" for workers compensation losses on or about August 1, 2008. The cost of this policy was \$354,481 and \$243,101 for 2011 and 2010 respectively.

The Authority engages an outside workers' compensation attorney, Sean Kean, Esq. to handle all workers' compensation claims against the Authority arising from prior periods when they were "self-insured" for workers compensation losses. The Authority does not accrue for losses as the amounts are difficult to estimate and they pay medical expenses and claims as they are incurred and/or settled through litigation. For the years ended December 31, 2011 and 2010, the Authority paid \$140,329 and \$126,052, respectively, for workers compensation expenses excluding legal bills relating to workers' compensation. For the years ended December 31, 2011 and 2010 the Authority paid \$55,438 and \$65,949, respectively, in workers compensation attorney expenses.

19. INTERFUND BALANCE

The Authority has disclosed the inter-fund balances on the Statement of Net Assets. The Sewer fund has a payable to the Water fund due to a historical deficiency in the Sewer user rate. It is not expected that this payable will be settled within the next fiscal year.

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 11, 2012, the date of this report.

SINGLE AUDIT SECTION

DONOHUE, GIRONDA & DORIA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Commissioners of the
Jersey City Municipal Utilities Authority
Jersey City, New Jersey

We have audited the financial statements of the Jersey City Municipal Utilities Authority (the “Authority”), as of, and for the year ended, December 31, 2011, and have issued our report thereon dated July 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we 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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting; FS11-1. 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.


Compliance and Other Matters

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

We noted a certain matter that we have reported to management of the Authority in the comments and recommendations section of this report.

This report is intended solely for the information and use of management, the Authority's governing body, others within the entity, Federal and State awarding agencies and the New Jersey Department of Community Affairs, Division of Local Government Services, and is not intended to be, and should not be, used by anyone other than these specified parties.


DONOHUE, GIRONDA & DORIA
Certified Public Accountants


MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey
July 11, 2012

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

Honorable Commissioners of the
Jersey City Municipal Utilities Authority
Jersey City, New Jersey

Compliance

We have audited the compliance of the Jersey City Municipal Utilities Authority (the “Authority”), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that that could have a direct and material effect on each of the Authority’s major federal and state programs for the year ended December 31, 2011. The Authority’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB’s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB’s Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority’s compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

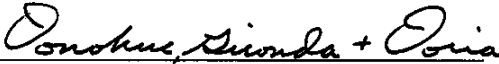
Internal Control Over Compliance


Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Authority's Board of Commissioners, others within the entity, federal and state awarding agencies, and the New Jersey Department of Community Affairs, Division of Local Government Services, and is not intended to be, and should not be, used by anyone other than these specified parties.


DONOHUE, GIRONDA & DORIA
Certified Public Accountants


MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey
July 11, 2012

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011**

Federal Pass-Through Grantor/ Program Title	CFDA Number	STATE OF NJ Grant Number	Grant Period		Funds Rec'd Through 12/31/11	Expended in FY 2011	Loan Receivable Balance 12/31/10	Funds Received in FY 2011	Adjustments in FY 2011	Loan Receivable Balance 12/31/11	Cumulative Expenditures
			From	To							
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2001 Sewer	66.458	4860-510-020	Open	Open	7,611,828	-	298,172	-	(298,172)	-	7,611,828
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2007 Sewer	66.458	4860-558-001	Open	Open	8,066,561	316,892	2,281,819	1,235,014	-	1,046,805	7,478,404
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2009 Sewer	66.458	4860-510-009	Open	Open	194,954	-	1,148,622	160,664	-	987,958	1,975,917
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2010 Sewer Supplemental A	66.458	*	Open	Open	-	-	1,531,195	-	-	1,531,195	-
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2010 Sewer Supplemental B	66.458	*	Open	Open	1,620,126	153,426	222,734	-	-	222,734	1,773,552
Total NJEIT Fund Loans Sewer**						470,318	5,482,542	1,395,678	(298,172)	3,788,692	
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2007 Water	66.468	4840-527-024	Open	Open	8,944,306	325,360	380,164	101,129	-	279,035	8,043,830
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2008 Water	66.468	*	Open	Open	-	-	805,524	-	-	805,524	-
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust- Fund Loan: 2009 Water	66.468	4840-707-XXX	Open	Open	6,660,773	2,456,930	4,355,732	3,234,475	-	1,121,257	12,832,970
Total NJEIT Fund Loans Water**						2,782,290	5,541,420	3,335,604	-	2,205,816	
Total						\$ 3,252,608	\$ 11,023,962	\$ 4,731,282	\$ (298,172)	\$ 5,994,508	

* Information not available

** Denotes a major program

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011**

STATE OF NJ Grant Number	Grant Period		Grant Award	Funds Rec'd Through 12/31/11	Expended in FY 2011	Loan Recivable Balance 12/31/10	Funds Received in FY 2011	Adjustments	Loan Recivable Balance 12/31/11	Cumulative Expenditures
	From	To								
New Jersey Environmental Infrastructure Trust - Trust Program:										
** 2001 Sewer	Open		\$ 7,910,000	\$ 7,611,828	\$ -	\$ 298,172	\$ -	\$ (298,172)	\$ -	\$ 7,611,828
New Jersey Environmental Infrastructure Trust - Trust Program:										
** 2007 Sewer	Open		3,037,788	2,688,853	105,630	760,606	411,671	-	348,935	2,492,801
New Jersey Environmental Infrastructure Trust - Trust Program:										
** 2007 Water	Open		3,074,447	2,981,435	111,455	129,721	36,709	-	93,012	2,681,279
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-										
** Fund Loan: 2008 Water	Open		268,508	-	-	285,000	-	(16,492)	268,508	-
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-										
** Fund Loan: 2009 Water	Open		2,594,010	2,220,257	818,977	1,451,912	1,078,159	-	373,753	2,220,475
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-										
** Fund Loan: 2009 Sewer	Open		1,182,912	194,953	-	1,182,912	194,953	-	987,959	194,953
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-										
** Fund Loan: 2010 Sewer Supplemental A	Open		510,000	-	-	510,000	-	-	510,000	-
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-										
** Fund Loan: 2010 Sewer Supplemental B	Open		1,842,860	1,620,126	153,426	222,734	-	-	222,734	1,773,552
				<u>\$ 1,189,488</u>	<u>\$ 4,841,057</u>	<u>\$ 1,721,492</u>	<u>\$ (314,664)</u>	<u>\$ 2,804,901</u>	<u>\$ 16,974,888</u>	

* Information not available

** Denotes a major program

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

DECEMBER 31, 2011 AND 2010

1. GENERAL

The accompanying schedules of financial assistance include the federal awards and state financial assistance activity of the Jersey City Municipal Utilities Authority (the "Authority"). The Authority is defined in Note 1 to the basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as state financial assistance passed through other government agencies, is included in the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. This basis of accounting is described in Note 1 to the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's basic financial statements.

4. RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with amounts reported in the related state financial reports.

5. REVENUE RECOGNIZED

There is no revenue recognized for the United States Environmental Protection Agency, New Jersey Environmental Infrastructure Trust loan program. Funds are disbursed to the Authority on a reimbursement basis for qualifying expenditures. During the year ended December 31, 2010 the Authority had recognized revenue for ARRA funds which were received in conjunction with NJEIT Loan. For the year ended December 31, 2011 there were no ARRA funds expended or received. Additionally, during the year ended December 31, 2010, the Authority had recognized funds expended during the year on an Office of Housing and Urban Development, Community Development Block Grant, Economic Development Initiative Grant which was "passed-through" the City of Jersey City.

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

Section I - Summary of Auditors' Results

Financial Statement Section

A) Type of Auditors' Report Issued	Unqualified	
B) Internal Control over Financial Reporting		
1) Material weakness(es) identified?	_____ Yes	_____ X No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ X Yes	_____ No
C) Noncompliance material to basic financial statements noted?	_____ Yes	_____ X No

Federal Awards Section

D) Internal Control over Major Programs		
1) Material weakness(es) identified?	_____ Yes	_____ X No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ X No
E) Type of auditors' report issued on compliance for major programs	Unqualified	
F) Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133	_____ Yes	_____ X No

G) Identification of major programs:

<u>CFDA Number/Grant Number</u>	<u>Name of Program or Cluster</u>
66.458	US EPA-NJEITL Fund (LOAN passed through NJ)
	Sewer Infrastructure Improvements
66.468	US EPA-NJEITL Fund (LOAN passed through NJ)
	Water Infrastructure Improvements

H) Dollar threshold used to distinguish between Type A and Type B Programs	300,000
--	---------

I) Auditee qualified as low-risk auditee?	_____ X Yes	_____ No
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JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

Section I - Summary of Auditors' Results

State Awards Section

J) Dollar threshold used to distinguish between Type A and Type B Programs	300,000	
K) Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
L) Internal Control over Major Programs		
1) Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> No
M) Type of auditors' report on compliance for major programs	Unqualified	
N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04?	<u> </u> Yes	<u> X </u> No
O) Identification of major programs		

State Grant/Grant Number	Name of State Program
4840-XXX-XXX (Water)	US EPA-NJEITL Trust (LOAN passed through NJ) Water Infrastructure Improvements
4860-XXX-XXX (Sewer)	US EPA-NJEITL Trust (LOAN passed through NJ) Sewer Infrastructure Improvements

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2011

Section 2 - Financial Statement Findings

Finding FS 11-1

- Criteria: The Authority contracts with United Water to operate the water system, bill and collect water and sewer user fees, remit user fee payments to the Authority on a daily basis and provide detailed billing, collection and accounts receivable reports.
- Condition: The accounts receivable reports provided by United Water at December 31, 2011 have significant discrepancies when compared to United Water's new customer billing and collection system. The discrepancies were primarily in the form of "over-stated" credits and timing differences.
- Effect: The year-end totals for water and sewer accounts receivable are not accurate and do not agree with United Water's new customer billing and collection system.
- Cause: There are no edit checks and reviews for accuracy performed before accounts receivable reports are issued.
- Recommendation: All reports (billing, collection and accounts receivable) need to be reviewed for accuracy and reconciled to the billing and collection system prior to issuance.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2011

**Section 3 - Federal Awards and State Financial
Assistance Findings and Questioned Costs**

NONE

Section 4 - Summary Schedule of Prior Year Audit Findings

NONE

SUPPLEMENTARY INFORMATION

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - RESTRICTED AND UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Water Unrestricted Funds	Restricted			Total Water
		Water Revenue Fund	Bond Reserve Fund	Water Fund	
Operating revenues:					
Water-user charges	\$ -	\$ 45,403,742	\$ -	\$ -	\$ 45,403,742
Bulk water	-	9,563,519	-	-	9,563,519
Interest on delinquent payments	-	756,118	-	-	756,118
Connection fees	-	537,437	-	-	537,437
		<u>56,260,816</u>			<u>56,260,816</u>
Operating expenses:					
Cost of providing services	31,738,253	-	-	-	31,738,253
Administration	2,359,800	-	-	-	2,359,800
Leasehold amortization expense	-	5,513,032	-	-	5,513,032
	<u>34,098,053</u>	<u>5,513,032</u>			<u>39,611,085</u>
Operating income (loss):	<u>(34,098,053)</u>	<u>50,747,784</u>			<u>16,649,731</u>
Non-operating revenues (expenses):					
Interest income	15,371	13,318	143,745		172,434
Interest expense	(5,762,038)	-	-	-	(5,762,038)
Other amortization expense	-	(232,143)	-	-	(232,143)
	<u>(5,746,667)</u>	<u>(218,825)</u>	<u>143,745</u>		<u>(5,821,747)</u>
Change in net assets before transfers	<u>(39,844,720)</u>	<u>50,528,959</u>	<u>143,745</u>		<u>10,827,984</u>
Transfers	52,589,530	(52,445,785)	(143,745)		-
Change in net assets	<u>12,744,810</u>	<u>(1,916,826)</u>			<u>10,827,984</u>
Net Assets, December 31, 2010	<u>42,527,155</u>	<u>(40,128,138)</u>			<u>2,399,017</u>
Net Assets, December 31, 2011	<u>\$ 55,271,965</u>	<u>\$ (42,044,964)</u>			<u>\$ 13,227,001</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - RESTRICTED AND UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2011**

	R E S T R I C T E D					Total Sewer
	Sewer Unrestricted Funds	Sewer Revenue Fund	Sewer Renewal and Replacement Fund	Sewer Capital Improvement Account	Sewer Construction Fund	
Operating revenues:						
Sewer-user charges	\$ -	\$ 45,432,361	\$ -	\$ -	\$ -	\$ 45,432,361
Interest on delinquent payments	-	649,263	-	-	-	649,263
Service agreements	-	2,371,378	-	-	-	2,371,378
Connection fees	-	1,477,147	-	-	-	1,477,147
Other revenue	-	17,789	-	-	-	17,789
		<u>49,947,938</u>				<u>49,947,938</u>
Operating expenses:						
Cost of providing services	30,376,327	-	-	-	-	30,376,327
Administrative, executive and professional	2,457,700	-	-	-	-	2,457,700
Depreciation expense	1,136,581	-	-	510,659	4,983,760	6,631,000
	<u>33,970,608</u>			<u>510,659</u>	<u>4,983,760</u>	<u>39,465,027</u>
	<u>(33,970,608)</u>	<u>49,947,938</u>		<u>(510,659)</u>	<u>(4,983,760)</u>	<u>10,482,911</u>
Non-operating revenues (expenses):						
Interest income	14,849	15,009	23	-	1,009	30,890
Interest expense	(3,676,074)	-	-	-	-	(3,676,074)
Amortization expense	-	-	-	-	(937,226)	(937,226)
	<u>(3,661,225)</u>	<u>15,009</u>	<u>23</u>		<u>(936,217)</u>	<u>(4,582,410)</u>
Net income (loss) before transfers	<u>(37,631,833)</u>	<u>49,962,947</u>	<u>23</u>	<u>(510,659)</u>	<u>(5,919,977)</u>	<u>5,900,501</u>
Transfers	40,252,528	(49,962,947)	(23)	510,659	9,199,783	-
Change in net assets	<u>2,620,695</u>				<u>3,279,806</u>	<u>5,900,501</u>
Net assets, December 31, 2010	<u>(6,851,464)</u>		<u>250,000</u>		<u>30,860,329</u>	<u>24,258,865</u>
Net assets, December 31, 2011	<u>\$ (4,230,769)</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 34,140,135</u>	<u>\$ 30,159,366</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
UNRESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Water Operating Fund</u>
Balance, December 31, 2010	
Cash and cash equivalents	\$ 5,763,394
Increased by receipts:	
Transfer from:	
Water revenue fund	60,456,642
Sewer operating fund	5,000,000
Reimbursed capital expenses-Due from City	82,173
Interest income	15,372
	<u>65,554,187</u>
	<u>71,317,581</u>
Decreased by disbursements:	
Operations	34,982,931
Interest Expense	5,799,091
Bond Principal Paid	10,391,726
	<u>51,173,748</u>
Balance, December 31, 2011	
Cash and cash equivalents	<u><u>\$ 20,143,833</u></u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
UNRESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Sewer Operating Fund	Sewer General Fund	Total Sewer
	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2010			
Cash and cash equivalents	\$ 8,836,427	\$ 6,114,493	\$ 14,950,920
Increased by receipts:			
Transfer from:			
Sewer revenue fund	47,960,503	-	47,960,503
Reimbursed North Bergen expenses	91,560		91,560
Interest income	8,980	5,875	14,855
	<u>48,061,043</u>	<u>5,875</u>	<u>48,066,918</u>
	<u>56,897,470</u>	<u>6,120,368</u>	<u>63,017,838</u>
Decreased by disbursements:			
Operations	31,344,664	-	31,344,664
Interest expense paid	3,765,729	-	3,765,729
Bond principal paid	7,661,612	-	7,661,612
Transfer to:			
Water operating fund	5,000,000	-	5,000,000
Sewer construction fund	2,723,127	-	2,723,127
	<u>50,495,132</u>	<u>-</u>	<u>50,495,132</u>
Balance, December 31, 2011			
Cash and cash equivalents	<u>\$ 6,402,338</u>	<u>\$ 6,120,368</u>	<u>\$ 12,522,706</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Water Revenue Fund	Water Bond Reserve Fund	Total Water
	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2010			
Cash and cash equivalents	\$ 4,242,957	\$ 2,915,698	\$ 7,158,655
Increased by receipts:			
Revenue:			
Interest on investments	13,343	291	13,634
Interest on delinquent payments	756,118	-	756,118
Receipts from customers	43,075,796	-	43,075,796
Bulk water	9,563,519	-	9,563,519
Other revenue	537,437	-	537,437
NJEIT Drawdown	4,450,472	-	4,450,472
Bond Issuance, Net of COI Paid	8,301,642		8,301,642
	<u>66,698,327</u>	<u>291</u>	<u>66,698,618</u>
	70,941,284	2,915,989	73,857,273
Decreased by disbursements:			
Purchase leasehold assets	7,311,738	-	7,311,738
Transfer to:			
Water operating fund	60,456,642	-	60,456,642
Sewer revenue fund	187,307	-	187,307
	<u>67,955,687</u>	<u>-</u>	<u>67,955,687</u>
Balance, December 31, 2011			
Cash and cash equivalents	<u>\$ 2,985,597</u>	<u>\$ 2,915,989</u>	<u>\$ 5,901,586</u>
Current restricted cash and cash equivalents	\$ 2,985,597	\$ -	\$ 2,985,597
Noncurrent restricted cash and cash equivalents	-	2,915,989	2,915,989
	<u>\$ 2,985,597</u>	<u>\$ 2,915,989</u>	<u>\$ 5,901,586</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Sewer Revenue Fund	Sewer Bond Reserve Fund	Sewer Construction Fund	Sewer Renewal and Replacement Fund	Total Sewer
Balance, December 31, 2010	\$ 5,869,934	\$ 1,425,955	\$ 1,983,764	\$ 250,033	\$ 9,529,686
Cash and cash equivalents					
Increased by receipts:					
Revenue:					
Interest on investments	14,997	143	1,009	23	16,172
Receipts from customers	48,882,201	-	-	-	48,882,201
Other receipts	17,789	-	-	-	17,789
Transfer from:					
Water revenue fund	187,307	-	-	-	187,307
Sewer operating fund			2,723,127		
NJEIT loan drawdown	-	-	2,002,302	-	2,002,302
Bond issuance, net of COI paid	-	-	25,537,429	-	25,537,429
	<u>49,102,294</u>	<u>143</u>	<u>30,263,867</u>	<u>23</u>	<u>76,643,200</u>
	54,972,228	1,426,098	32,247,631	250,056	86,172,886

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Sewer Revenue Fund	Sewer Bond Reserve Fund	Sewer Construction Fund	Sewer Renewal and Replacement Fund	Total Sewer
Balance, carried forward	54,972,228	1,426,098	32,247,631	250,056	86,172,886
Decreased by disbursements:					
Note retirement	-	-	7,000,000	-	7,000,000
Bond defeasance			7,000,000		
Fixed asset purchases	-	-	8,463,419	-	8,463,419
Transfer to:					
Sewer operating fund	47,960,503	-	-	-	47,960,503
	<u>47,960,503</u>	<u>-</u>	<u>22,463,419</u>	<u>-</u>	<u>63,423,922</u>
Balance, December 31, 2011	<u>\$ 7,011,725</u>	<u>\$ 1,426,098</u>	<u>\$ 9,784,212</u>	<u>\$ 250,056</u>	<u>\$ 22,748,964</u>
Cash and cash equivalents					
Current restricted cash and cash equivalents	\$ 7,011,725	\$ -	\$ -	\$ -	\$ 7,011,725
Noncurrent restricted cash and cash equivalents	-	1,426,098	9,784,212	250,056	11,460,366
	<u>\$ 7,011,725</u>	<u>\$ 1,426,098</u>	<u>\$ 9,784,212</u>	<u>\$ 250,056</u>	<u>\$ 18,472,091</u>

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

WATER FUND

	<u>2011 Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Revenues			
Revenue anticipated:			
Service Fees:			
User charges and fees	\$ 44,000,000	\$ 45,403,742	\$ 42,943,650
Bulk water	9,000,000	9,563,519	9,127,213
Total Service Fees	<u>53,000,000</u>	<u>54,967,261</u>	<u>52,070,863</u>
Non-operating revenue:			
Interest on investments	50,000	172,434	187,573
Interest on delinquent payments	600,000	756,118	657,910
Total non-operating revenue	<u>650,000</u>	<u>928,552</u>	<u>845,483</u>
Non-budget revenue:			
Connection fees	<u>50,000</u>	<u>537,437</u>	<u>931,753</u>
Total Revenues	<u>\$ 53,700,000</u>	<u>\$ 56,433,250</u>	<u>\$ 53,848,099</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

WATER FUND

	2011 <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Administration:			
Water Administration Allocation	\$ 2,500,000	\$ 2,359,800	\$ 1,954,133
Total Administration	<u>2,500,000</u>	<u>2,359,800</u>	<u>1,954,133</u>
Cost of Providing Services:			
Salaries and wages	70,000	-	103,325
Fringe benefits	30,000	-	11,582
Other expenses	1,408,000	1,211,882	1,355,041
Rockaway Valley Sewerage Authority	2,900,000	2,730,703	2,730,857
Property taxes	1,167,803	1,080,027	1,045,452
United Water maintenance fee	13,800,000	13,738,439	13,256,558
Water Plant Utilities	900,000	768,644	930,530
Cost of Providing Services-Preliminary	<u>20,275,803</u>	<u>19,529,695</u>	<u>19,433,345</u>
Operations and maintenance reserve	<u>1,200,000</u>	<u>100,276</u>	<u>452,111</u>
Renewal and replacement reserve	<u>1,683,455</u>	<u>108,282</u>	<u>736,124</u>
Water franchise reserve used	-	-	(8,600,000)
Water franchise payment	<u>12,000,000</u>	<u>12,000,000</u>	<u>16,000,000</u>
Total franchise fees	<u>12,000,000</u>	<u>12,000,000</u>	<u>7,400,000</u>
Total Cost of Providing Services	35,159,258	31,738,253	28,021,580
Principal payments on debt service in lieu of depreciation	<u>10,340,085</u>	<u>10,391,725</u>	<u>9,522,360</u>
Interest payment on debt service	<u>5,700,657</u>	<u>5,762,038</u>	<u>6,029,888</u>
	<u>\$ 53,700,000</u>	<u>\$ 50,251,816</u>	<u>\$ 45,527,961</u>
Revenues less appropriations - Budget basis	\$ -	\$ 6,181,434	\$ 8,320,138
Adjustments needed to reconcile to net loss on GAAP basis:			
Principal payments on debt		10,391,725	9,522,360
Amortization		<u>(5,745,175)</u>	<u>(5,098,500)</u>
Change in net assets		<u>\$ 10,827,984</u>	<u>\$ 12,743,998</u>

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

SEWER FUND

	2011 <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
REVENUES			
Revenue anticipated:			
Service Fees:			
User charges and fees	\$ 45,862,000	\$ 45,432,361	\$ 41,608,654
Sewer Connection fees	500,000	1,477,147	413,012
Service agreements	1,817,000	2,371,378	2,302,541
Total Service Fees	<u>48,179,000</u>	<u>49,280,886</u>	<u>44,324,207</u>
Non-operating revenues			
Interest on investments	80,000	30,890	43,524
Interest on delinquent payments	570,000	649,263	638,535
Total non-operating revenues	<u>650,000</u>	<u>680,153</u>	<u>682,059</u>
Non-budget revenue:			
Capital contribution grant income	-	-	2,603,323
Other revenue	-	17,789	275,819
Total non-budget revenue	<u>-</u>	<u>17,789</u>	<u>2,879,142</u>
Total Revenues	<u>\$ 48,829,000</u>	<u>\$ 49,978,828</u>	<u>\$ 47,885,408</u>

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

SEWER FUND

	2011 Budget	2011 Actual	2010 Actual
Administration:			
Salaries and wages	\$ 1,645,911	\$ 1,702,866	\$ 1,697,105
Fringe benefits:			
Public employees' retirement system	167,130	234,272	152,896
FICA taxes and expenses	123,930	134,387	128,241
Unemployment and disability insurance	13,500	15,409	19,029
Workers' compensation insurance	108,000	137,731	103,022
Hospitalization and related insurance	776,520	1,036,315	652,925
Annual OPEB cost- Admin	-	468,742	442,243
Total fringe benefits	<u>1,189,080</u>	<u>2,026,856</u>	<u>1,498,356</u>
Other expenses:			
Office supplies and expenses	70,000	57,274	39,585
Communications	90,000	79,960	95,944
Trustees' fees and expenses	84,000	101,392	83,711
Education, travel, conferences, public relations and advertising	90,000	31,225	39,846
Audit fee and other accounting services	50,000	51,485	20,535
Legal	275,000	271,749	206,364
Engineering	200,000	90,898	135,421
Computer services	110,000	68,593	67,515
General liability and Auto insurance	375,000	335,202	441,817
Intermunicipal Agreements:			
Engineering	-	-	430,702
Total other expenses	<u>1,344,000</u>	<u>1,087,778</u>	<u>1,561,440</u>
Administration allocated to Water Fund	<u>(2,500,000)</u>	<u>(2,359,800)</u>	<u>(1,954,133)</u>
Total Administration	<u>1,678,991</u>	<u>2,457,700</u>	<u>2,802,768</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

SEWER FUND

	2011 Budget	2011 Actual	2010 Actual
Cost of Providing Services:			
Salaries and wages:			
West-side plant	\$ 977,220	\$ 925,988	\$ 1,010,315
Plant maintenance and repair	1,072,214	1,116,760	1,032,997
Fleet maintenance and repair	101,460	128,133	92,733
Infrastructure maintenance	2,291,668	2,326,669	2,196,048
Total salaries and wages	<u>4,442,562</u>	<u>4,497,550</u>	<u>4,332,093</u>
Fringe benefits:			
Public employees' retirement system	451,870	399,941	394,968
FICA taxes and expenses	335,070	327,559	323,486
Unemployment and disability insurance	36,500	49,776	49,157
Workers' compensation insurance	292,000	269,481	266,131
Hospitalization and related insurance	2,099,480	1,707,903	1,686,668
Annual OPEB cost-COS	-	1,093,731	1,031,900
Total fringe benefits	<u>3,214,920</u>	<u>3,848,391</u>	<u>3,752,310</u>
Other expenses:			
West-side plant:			
Heat, light and power	400,000	407,569	420,766
Grit disposal	200,000	202,821	212,099
NJDEP permit	50,000	400,614	31,614
East-side plant:			
Heat, light and power	525,000	605,269	563,285
Plant maintenance and repair:			
Other expenses	3,320,000	572,339	324,078
Staff uniforms	22,000	19,625	17,221
Safety equipment	33,000	56,448	31,585
Fleet maintenance and repair:			
Automotive fuel	125,000	190,900	114,326
Parts	100,000	126,581	76,193
Equipment rental	10,000	2,241	8,566
Maintenance and repairs	225,000	39,781	185,710
Vehicle registration	2,000	1,350	1,734
Waste-water treatment:			
Passaic Valley Sewerage Commission contract	20,000,000	19,071,527	19,495,467

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

SEWER FUND

	2011 Budget	2011 Actual	2010 Actual
	<u> </u>	<u> </u>	<u> </u>
Infrastructure maintenance:			
Other expenses	\$ 250,187	\$ 148,224	\$ 231,848
Video parts and repairs	20,000	31,423	16,522
Earth disposal	20,000	-	17,152
Total other expenses	<u>25,302,187</u>	<u>21,876,712</u>	<u>21,748,166</u>
Renewal and replacement reserve	<u>2,400,000</u>	<u>153,674</u>	<u>18,797</u>
Total Cost of Providing Services	<u>35,359,669</u>	<u>30,376,327</u>	<u>29,851,366</u>
Principal payments on debt service in lieu of depreciation	<u>8,170,783</u>	<u>7,661,612</u>	<u>7,122,516</u>
Interest payments:			
Bond and Loan Interest	3,479,557	3,524,197	3,744,707
Note interest	140,000	151,877	139,611
Interest payment on debt service	<u>3,619,557</u>	<u>3,676,074</u>	<u>3,884,318</u>
	<u>\$ 48,829,000</u>	<u>\$ 44,171,713</u>	<u>\$ 43,660,968</u>
Revenues less appropriations - Budget basis		\$ 5,807,115.00	\$ 4,224,440
Adjustments needed to reconcile to net loss on GAAP basis:			
Principal payments on debt		7,661,612	7,122,516
Amortization		(937,226)	(583,913)
Depreciation		<u>(6,631,000)</u>	<u>(5,835,551)</u>
Change in net assets		<u>\$ 5,900,501</u>	<u>\$ 4,927,492</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
ANALYSIS OF USER CHARGES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>
Balance, December 31, 2010	\$ 10,204,606	\$ 6,488,159
Increased by:		
User charges and bulk water billed	<u>53,808,503</u>	<u>44,480,988</u>
	64,013,109	50,969,147
Decreased by:		
Collections	<u>52,641,652</u>	<u>45,573,893</u>
Balance, December 31, 2011	11,371,457	5,395,254
Less: Allowance for doubtful accounts	<u>(2,703,280)</u>	<u>(654,761)</u>
Net User Fees Receivable	<u><u>\$ 8,668,177</u></u>	<u><u>\$ 4,740,493</u></u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS
DECEMBER 31, 2011**

Contracts and Agreements Required to be Advertised for (N.J.S.A. 40A:11-4)

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent, for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertisement of bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The Authority's purchasing agent is qualified pursuant to subsection b. of section 9 of PL 1971, c.198. In accordance with the provisions of N.J.S.A 40A:11-3 and 18A:18A-3, the Authority's governing body has elected to establish its bid threshold at \$36,000.

It is pointed out that the Authority has the responsibility of determining whether the expenditures in any category will exceed the bidding threshold and, where question arises as to whether any contract or agreement might result in violation of the statute, opinion should be sought from Counsel before commitment is made.

The minutes indicate that Resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5. The minutes also indicate that bids were requested by public advertisement for the following items:

- 1 Gas Detection System
- 2 Catch Basin/Jet Truck
- 3 Combination Vacuum/Jet Truck
- 4 Replace Gas Forced Air Heat East Side Plant
- 5 Burma Road Sewer Improvements
- 6 Princeton and Cator Sewer Improvements
- 7 Ogden Avenue Sewer Improvements
- 8 Sewer Video Camera Truck
- 9 Natural Gas/Electricity
- 10 Soil and Boring Service
- 11 Parts for Electronic Frequency Drive System
- 12 Soil Removal
- 13 Parts and Repair Services for Bar Screens East Side and West Side Plant
- 14 Upgrade for SCADA for Pump Stations
- 15 Upgrade security systems
- 16 Repair services and parts for vehicles up to 16,000 lbs GVW
- 17 Emergency and non-emergency plumbing repairs
- 18 Grit screening transportation and removal

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS
DECEMBER 31, 2011**

Contracts and Agreements Required to be Advertised for (N.J.S.A. 40A:11-4) (Continued)

Our audit of expenditures did not reveal any payments, contract or agreements, in excess of the statutory limits, for the “performance of any work or the furnishing or hiring of any materials or supplies,” other than those where bids had been previously sought by public advertisement, or where a resolution had been previously adopted under the provision of N.J.S.A. 40A:11-6.

Expenditure less than bid threshold, but 15% or more of that amount per N.J.S.A 40A:11-6.1

N.J.S.A. 40A:11-6.1 states, “For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The Authority advised us that quotations were, for the most part, solicited for items, the cost of which was \$5,400 or more, within the terms of N.J.S.A. 40A:11-6.1 and 18A:18A-37.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2011**

COMMENT 11-01: There was a \$24,334,718 inter-fund receivable on the books of the Water Fund and a corresponding \$24,334,718 inter-fund payable on the books of the Sewer Fund at December 31, 2011.

CRITERIA: Inter-fund receivables/payables should be closed by year-end.

RECOMMENDATION: The Authority should make every attempt to clear inter-funds by year-end.

AUTHORITY'S RESPONSE: The Authority reviews its inter-fund balances on a periodic basis and attempts to clear inter-funds by year end. The Authority decreased the inter-fund receivable and corresponding payable by \$4,812,693 during the year.

STATISTICAL SECTION

Jersey City Municipal Utilities Authority
Expenditures by Function
Last Ten Fiscal Years

Year Ended December 31,	Administration		Cost of Providing Services		Interest on Long-term Debt	Reserves	Water Franchise
	Salaries and Benefits	Other Expenses	Salaries and Benefits	Other Expenses			
2011	\$ -	\$ 2,359,800	\$ -	\$ 19,529,695	\$ 5,762,038	\$ 208,558	\$12,000,000
2010	-	1,954,133	103,325	19,330,020	6,029,888	1,188,235	16,000,000
2009	-	2,048,499	216,865	18,741,576	6,400,452	2,144,260	13,000,000
2008	-	2,000,000	254,483	18,322,557	6,702,028	498,016	8,500,000
2007	-	3,100,000	244,540	16,553,308	6,812,692	997,171	16,599,998
2006	-	-	277,503	15,667,613	7,028,651	640,883	16,000,000
2005	-	-	236,382	15,653,743	6,944,930	596,715	16,000,000
2004	-	-	310,257	14,751,972	6,791,352	1,737,495	30,000,000
2003	-	-	262,293	12,842,866	5,889,100	205,764	30,000,000
2002	-	-	243,661	13,074,061	4,637,401	332,339	7,200,000
				<u>WATER FUND</u>			
2011	1,790,020	667,680	8,345,941	21,876,712	3,676,074	153,674	-
2010	1,968,034	834,734	8,084,403	21,748,166	3,884,318	18,797	-
2009	2,195,187	551,827	7,567,183	22,021,531	4,186,005	432,604	-
2008	2,018,407	865,032	7,059,366	20,658,280	4,603,748	93,223	-
2007	1,220,162	522,926	5,794,667	21,178,630	4,505,101	146,109	-
2006	2,961,162	1,298,090	5,127,763	21,443,875	4,510,791	310,847	-
2005	2,651,179	1,889,216	4,829,482	18,984,696	4,036,950	464,691	-
2004	2,612,724	1,371,574	4,122,393	15,304,765	4,592,158	7,380	-
2003	2,374,263	1,375,240	4,161,961	14,905,795	4,582,316	468,742	-
2002	1,800,764	1,375,058	3,781,166	13,897,214	4,071,361	166,685	8,800,000
				<u>SEWER FUND</u>			
2011	1,790,020	3,027,480	8,345,941	41,406,407	9,438,112	362,232	12,000,000
2010	1,968,034	2,788,867	8,187,728	41,078,186	9,914,206	1,207,032	16,000,000
2009	2,195,187	2,600,326	7,784,048	40,763,107	10,586,457	2,576,864	13,000,000
2008	2,018,407	2,865,032	7,313,849	38,980,837	11,305,776	591,239	8,500,000
2007	1,220,162	3,622,926	6,039,207	37,731,938	11,317,793	1,143,280	16,599,998
2006	2,961,162	1,298,090	5,405,266	37,111,488	11,539,442	951,730	16,000,000
2005	2,651,179	1,889,216	5,065,864	34,638,439	10,981,880	1,061,406	16,000,000
2004	2,612,724	1,371,574	4,432,650	30,056,737	11,383,510	1,744,875	30,000,000
2003	2,374,263	1,375,240	4,424,254	27,748,661	10,471,416	674,506	30,000,000
2002	1,800,764	1,375,058	4,024,827	26,971,275	8,708,762	499,024	16,000,000
				<u>TOTALS</u>			

Jersey City Municipal Utilities Authority
Revenues by Source
Last Ten Fiscal Years

Year Ended December 31,	User Fees and Charges	Bulk Water	Service Agreements	Connection Fees	Interest and		Interest Income	Miscellaneous
					Penalties	Income		
<u>WATER FUND</u>								
2011	\$45,403,742	\$ 9,563,519	\$ -	\$ 537,437	\$ 756,118	\$ 172,434	\$ -	\$ -
2010	42,943,650	9,127,213	-	931,753	657,910	187,573	-	-
2009	40,795,846	7,876,095	-	415,071	611,886	350,903	21,728	21,728
2008	39,891,597	11,322,428	-	491,834	602,826	808,045	67,212	67,212
2007	39,909,427	7,835,516	-	1,085,610	860,822	851,465	56,724	56,724
2006	38,586,689	8,510,377	-	679,537	856,664	552,827	2,210	2,210
2005	33,879,019	7,540,364	-	-	731,721	270,041	435,391	435,391
2004	31,391,822	8,505,387	-	-	530,210	579,741	210,727	210,727
2003	26,514,106	7,095,546	-	-	524,322	443,171	690,682	690,682
2002	23,121,733	7,009,542	-	-	604,953	115,081	242,295	242,295
<u>SEWER FUND</u>								
2011	45,432,361	-	2,371,378	1,477,147	649,263	30,890	17,789	17,789
2010	41,608,654	-	2,302,541	413,012	638,535	43,524	275,819	275,819
2009	29,287,678	-	1,798,071	1,833,104	726,696	43,535	245,498	245,498
2008	29,622,332	-	1,712,187	2,175,075	434,388	783,505	194,587	194,587
2007	28,757,363	-	1,605,518	5,386,475	471,638	1,554,594	110,911	110,911
2006	27,674,425	-	1,513,841	12,643,766	594,153	1,007,079	194,631	194,631
2005	25,242,794	-	1,501,882	5,848,212	479,753	278,805	159,909	159,909
2004	24,410,526	-	1,306,555	1,700,608	420,764	148,446	167,211	167,211
2003	26,005,110	-	1,276,513	472,644	620,907	219,267	599,409	599,409
2002	32,428,872	-	1,268,043	-	966,307	267,078	300,804	300,804
<u>TOTAL</u>								
2011	90,836,103	9,563,519	2,371,378	2,014,584	1,405,381	203,324	17,789	17,789
2010	84,552,304	9,127,213	2,302,541	1,344,765	1,296,445	231,097	275,819	275,819
2009	70,083,524	7,876,095	1,798,071	2,248,175	1,338,582	394,438	267,226	267,226
2008	69,513,929	11,322,428	1,712,187	2,666,909	1,037,214	1,591,550	261,799	261,799
2007	68,666,790	7,835,516	1,605,518	6,472,085	1,332,460	2,406,059	167,635	167,635
2006	66,261,114	8,510,377	1,513,841	13,323,303	1,450,817	1,559,906	196,841	196,841
2005	59,121,813	7,540,364	1,501,882	5,848,212	1,211,474	548,846	595,300	595,300
2004	55,802,348	8,505,387	1,306,555	1,700,608	950,974	728,187	377,938	377,938
2003	52,519,216	7,095,546	1,276,513	472,644	1,145,229	662,438	1,290,091	1,290,091
2002	55,550,605	7,009,542	1,268,043	-	1,571,260	382,159	543,099	543,099

Jersey City Municipal Utilities Authority
User Rates
Last Ten Fiscal Years

Water Rate

<u>Year Ended</u> <u>December 31,</u>	<u>Rate per</u> <u>100 Cubic Feet</u>
2011	3.58
2010	3.45
2009	3.33
2008	3.21
2007	3.09
2006	2.98
2005	2.87
2004	2.50
2003	2.50
2002	1.66

Sewer Rate

<u>Year Ended</u> <u>December 31,</u>	<u>Rate per</u> <u>100 Cubic Feet</u>
2011	4.88
2010	4.70
2009	3.25
2008	3.13
2007	3.02
2006	2.91
2005	2.80
2004	2.43
2003	2.43
2002	2.87

Jersey City Municipal Utilities Authority
Ratio of Annual Debt Service Expenditures to General Expenditures
Last Ten Fiscal Years

Year Ended December 31,	Principal	Interest	Total Debt Service	Total Expenditures	Ratio of Debt Service to Expenditures
	<u>WATER FUND</u>				
2011	\$ 10,391,725	\$ 5,762,038	16,153,763	\$ 55,996,991	0.29
2010	9,522,360	6,029,888	15,552,248	\$ 50,626,461	0.31
2009	9,308,754	6,400,452	15,709,206	56,672,276	0.28
2008	8,655,000	6,702,028	15,357,028	49,743,954	0.31
2007	3,775,000	6,812,692	10,587,692	52,879,520	0.20
2006	3,985,000	7,028,651	11,013,651	53,305,479	0.21
2005	3,824,143	6,944,930	10,769,073	47,793,007	0.23
2004	2,713,856	6,791,352	9,505,208	46,572,421	0.20
2003	6,991,452	5,889,100	12,880,552	39,467,329	0.33
2002	7,045,619	4,637,401	11,683,020	32,533,081	0.36
	<u>SEWER FUND</u>				
2011	7,661,612	3,676,074	11,337,686	51,739,939	0.22
2010	7,122,516	3,884,318	11,006,834	50,080,432	0.22
2009	6,656,583	4,186,005	10,842,588	49,677,770	0.22
2008	6,143,868	4,603,748	10,747,616	47,359,188	0.23
2007	1,434,691	4,505,101	5,939,792	41,531,632	0.14
2006	1,599,868	4,510,791	6,110,659	41,702,499	0.15
2005	4,377,494	4,036,950	8,414,444	42,255,541	0.20
2004	4,217,842	4,592,158	8,810,000	38,364,641	0.23
2003	2,939,505	4,582,316	7,521,821	33,592,958	0.22
2002	2,873,456	4,071,361	6,944,817	36,765,704	0.19
	<u>TOTAL</u>				
2011	18,053,337	9,438,112	27,491,449	107,736,930	0.26
2010	16,644,876	9,914,206	26,559,082	100,706,893	0.26
2009	15,965,337	10,586,457	26,551,794	106,350,046	0.25
2008	14,798,868	11,305,776	26,104,644	97,103,142	0.27
2007	5,209,691	11,317,793	16,527,484	94,411,152	0.18
2006	5,584,868	11,539,442	17,124,310	95,007,978	0.18
2005	8,201,637	10,981,880	19,183,517	90,048,548	0.21
2004	6,931,698	11,383,510	18,315,208	84,937,062	0.22
2003	9,930,957	10,471,416	20,402,373	73,060,287	0.28
2002	9,919,075	8,708,762	18,627,837	69,298,785	0.27

Jersey City Municipal Utilities Authority
Revenue Bond Coverage
Last Ten Fiscal Years

Year Ended December 31,	Operating		Operating Expenses	Net Revenue Available for Debt Service		Debt Service Requirements			
	Revenues	Operating Expenses		Principal	Interest	Total	Coverage		
				<u>WATER FUND</u>					
2011	\$ 56,260,816	\$ 39,611,085	\$ 16,649,731	\$ 10,391,725	\$ 5,762,038	\$ 16,153,763	\$ 495,968		
2010	53,660,526	34,885,022	18,775,504	9,522,360	6,029,888	15,552,248	3,223,256		
2009	49,720,626	40,773,879	8,946,747	9,308,754	6,400,452	15,709,206	(6,762,459)		
2008	52,375,897	34,197,735	18,178,162	8,655,000	6,702,028	15,357,028	2,821,134		
2007	49,748,099	42,117,696	7,630,403	3,775,000	6,812,692	10,587,692	(2,957,289)		
2006	48,635,477	37,188,202	11,447,275	3,985,000	7,028,651	11,013,651	433,624		
2005	42,586,495	36,850,862	5,735,633	3,824,143	6,944,930	10,769,073	(5,033,440)		
2004	40,638,146	36,908,528	3,729,618	2,713,856	6,791,352	9,505,208	(5,775,590)		
2003	34,824,656	33,419,727	1,404,929	6,991,452	5,889,100	12,880,552	(11,475,623)		
2002	30,978,523	31,841,391	(862,868)	7,045,619	4,637,401	11,683,020	(12,545,888)		
				<u>SEWER FUND</u>					
2011	49,947,938	39,465,027	10,482,911	7,661,612	3,676,074	11,337,686	(854,775)		
2010	45,238,561	38,489,685	6,748,876	7,122,516	3,884,318	11,006,834	(4,257,958)		
2009	33,891,047	38,259,264	(4,368,217)	6,656,583	4,186,005	10,842,588	(15,210,805)		
2008	34,138,544	36,035,059	(1,896,515)	6,143,868	4,603,748	10,747,616	(12,644,131)		
2007	36,331,905	33,743,468	2,588,437	1,434,691	4,505,101	5,939,792	(3,351,355)		
2006	42,620,816	36,439,442	6,181,374	1,599,868	4,096,054	5,695,922	485,452		
2005	33,232,550	33,471,024	(238,474)	4,377,494	4,036,950	8,414,444	(8,652,918)		
2004	28,005,664	29,184,568	(1,178,904)	4,217,842	4,592,158	8,810,000	(9,988,904)		
2003	28,974,583	28,501,670	472,913	2,939,505	4,582,316	7,521,821	(7,048,908)		
2002	35,118,113	35,340,192	(222,079)	2,873,456	4,071,361	6,944,817	(7,166,896)		
				<u>TOTAL</u>					
2011	106,208,754	79,076,112	27,132,642	18,053,337	9,438,112	27,491,449	(358,807)		
2010	98,899,087	73,374,707	25,524,380	16,644,876	9,914,206	26,559,082	(1,034,702)		
2009	83,611,673	79,033,143	4,578,530	15,965,337	10,586,457	26,551,794	(21,973,264)		
2008	86,514,441	70,232,794	16,281,647	14,798,868	11,305,776	26,104,644	(9,822,997)		
2007	86,080,004	75,861,164	10,218,840	5,209,691	11,317,793	16,527,484	(6,308,644)		
2006	91,256,293	73,627,644	17,628,649	5,584,868	11,124,705	16,709,573	919,076		
2005	75,819,045	70,321,886	5,497,159	8,201,637	10,981,880	19,183,517	(13,686,358)		
2004	68,643,810	66,093,096	2,550,714	6,931,698	11,383,510	18,315,208	(15,764,494)		
2003	63,799,239	61,921,397	1,877,842	9,930,957	10,471,416	20,402,373	(18,524,531)		
2002	66,096,636	67,181,583	(1,084,947)	9,919,075	8,708,762	18,627,837	(19,712,784)		

Jersey City Municipal Utilities Authority
Miscellaneous Statistics
December 31, 2011

Date of Creation - Jersey City Sewerage Authority	December 20, 1949
Date of Reorganziation - Jersey City Municipal Utilities Authority	January 1, 1998
Form of Government	Authority
Number of employees	100
Miles of combined sewers	182
Number of service connections	Approx. 34,000
Daily average flow in millions of gallons	36.52
Maximum daily capacity of flow in millions of gallons	80