

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY**  
**AUDITS OF FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**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

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June 14, 2013

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, 2012.

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 9-14.

### **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.

### **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, 2012, the Authority's outstanding debt issues included \$69,566,996 of sewer revenue and refunding bonds, \$29,318,671 of sewer loans and \$19,399,593 of water loans from the State of New Jersey Environmental Infrastructure Trust, \$67,337,148 of water revenue and refunding bonds and \$37,425,000 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  
June 14, 2013

**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, 2012 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, 2012, 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, 2012**

<u>Authority Members</u>	<u>Position</u>	<u>Expiration of Term</u>
<u>Commissioners</u>		
Eileen Gaughan	Chairperson	1/31/13 (Holdover)
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 <sup>st</sup> Alternate	1/31/17
Dominick Pandolfo	2 <sup>nd</sup> Alternate	1/31/13 effective 3/28/12

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. and Arcadis (formerly Malcolm Pirnie)	Consulting Engineers
M&T Bank, NA	Trustee

## **FINANCIAL SECTION**

# DONOHUE, GIRONDA & DORIA

*Certified Public Accountants*

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

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

### **Report on the Financial Statements**

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, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's responsibility**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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

## **Other matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 14 and pages 89 through 94 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.

### *Other Information*

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. Such 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 supplementary information and the schedules of expenditures of federal awards are 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

  
DONOHUE, GIRONDA & DORIA  
Certified Public Accountants

  
MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey  
June 14, 2013

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012, 2011 AND 2010**

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, 2012, 2011 and 2010. 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 Position provides information about the nature and amounts of investments in resources (assets and deferred outflows) and the obligations to the Authority’s creditors (liabilities and deferred inflows), with the difference between the two reported as net position.

The Statement of Revenues, Expenses and Changes in Net Position shows how the Authority’s net position 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, 2012, 2011 AND 2010**

**FINANCIAL HIGHLIGHTS**

The following data highlights the Authority's finances for the years ended December 31, 2012, 2011 and 2010.

Increase/ (Decrease)	Water Fund		Sewer Fund		Totals			
	2012	2011	2012	2011	2012	2011		
Change in net position	8,214,167	10,827,984	\$ 12,743,998	\$ 5,900,501	\$ 4,927,492	\$ 14,696,886	\$ 16,728,485	\$ 17,671,490
Change in cash, cash equivalents and investments	7,360,775	13,123,370	(7,432,736)	6,514,191	4,897,543	5,643,907	19,637,561	(2,535,193)
Change in net capital assets	-	-	-	1,830,498	3,194,763	342,762	1,830,498	3,194,763
Change in leasehold assets	(4,155,152)	1,950,705	1,480,641	-	-	(4,155,152)	1,950,705	1,480,641
Change in operating revenues	1,943,887	2,600,290	3,939,900	4,709,377	11,347,514	6,823,465	7,309,667	15,287,414
Change in operating expenses	4,793,179	4,726,063	(5,888,857)	975,342	230,421	9,300,824	5,701,405	(5,658,436)
Change in operating income	(2,849,292)	(2,125,773)	9,828,757	3,734,035	11,117,093	(2,477,359)	1,608,262	20,945,850

*2012 compared to 2011.* Net position increased by 14.7 million or 34 percent. This was primarily due to the continued strong operating performance. Cash provided by operating activities continued to be strong, increasing by 3.8 million or 10.3 percent from 2011 to 2012.

*2011 compared to 2010.* Net position 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.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012, 2011 AND 2010**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The following table summarizes the assets, liabilities and net assets as of December 31, 2012, 2011 and 2010:

	Water Fund		Sewer Fund		Totals	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 52,071,980	\$ 48,307,389	\$ 26,730,601	\$ 25,221,312	\$ 78,802,581	\$ 73,528,701
Other noncurrent assets	20,214,613	22,939,732	14,905,780	19,328,535	35,120,393	42,268,267
Net capital assets	-	-	123,547,560	123,204,798	123,547,560	123,204,798
Net leasehold interest	92,493,313	96,648,465	-	-	92,493,313	96,648,465
Total assets	164,779,906	167,895,586	165,183,941	167,754,645	329,963,847	335,650,231
Deferred outflows of resources	-	-	-	-	-	-
Current liabilities	13,868,578	13,391,805	31,675,986	35,280,343	45,544,564	48,672,148
Noncurrent liabilities	129,470,160	141,276,780	96,865,870	102,314,936	226,336,030	243,591,716
Total liabilities	143,338,738	154,668,585	128,541,856	137,595,279	271,880,594	292,263,864
Deferred inflows of resources	-	-	-	-	-	-
Net position:						
Invested in capital assets and leasehold interest	(37,381,212)	(42,044,964)	35,962,246	34,140,135	35,962,246	34,140,135
Restricted	-	-	250,000	250,000	(37,381,212)	(42,044,964)
Unrestricted	58,822,380	55,271,965	429,839	(4,230,769)	250,000	250,000
Total net position	\$ 21,441,168	\$ 13,227,001	\$ 36,642,085	\$ 30,159,366	\$ 59,252,219	\$ 51,041,196
			\$ 24,258,865	\$ 24,258,865	\$ 43,386,367	\$ 26,657,882

2012 compared to 2011 The Authority's financial condition has improved, with its current ratio (current assets/current liabilities) increasing from 1.51 to 1.73. The Sewer fund has improved from .71 to .84 primarily due to its continued strong operating performance.

2011 compared to 2010 The Authority's financial condition has improved, with its current ratio (current assets/current liabilities) increasing from 1.18 to 1.51. The Sewer fund has improved from .55 to .71 primarily due to its 44.6% rate increase effective 1-01-2010.





**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012, 2011 AND 2010**

**OPERATING ACTIVITIES (Continued)**

*2012 compared to 2011.* The Authority's user fees increased by 4.0 million or 4.4 percent from the prior year as well as connection fees more than doubling to 4.2 million. The Sewer rate increase of about 45% 3 years ago as well as annual 3.75% rate increases has led to strong growth in operating revenues. Authority operating expenses increased by 9.3 million or 11.8 percent, primarily due to the increase in maintenance projects to its vast infrastructure.

*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.

**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 2010, 2011 and 2012:

	January 1, 2010	Additions/ Deletions/ Transfers	December 31, 2010	Additions/ Deletions/ Transfers	December 31, 2011	Additions/ Deletions/ Transfers	December 31, 2012
Capital assets:							
Land and land rights	\$ 346,572	\$ -	\$ 346,572	\$ -	\$ 346,572	\$ -	\$ 346,572
Infrastructure and improvements	214,400,993	5,070,458	219,471,451	3,877,655	223,349,106	7,060,063	230,409,169
Equipment, meters and vehicles	24,435,008	2,057,706	26,492,714	6,254,680	32,747,394	1,657,508	34,404,902
	<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>	<u>8,717,571</u>	<u>265,160,643</u>
Less: accumulated depreciation:	(131,106,404)	(5,835,551)	(136,941,955)	(6,631,000)	(143,572,955)	(7,075,838)	(150,648,793)
	<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>	<u>1,641,733</u>	<u>114,511,850</u>
Add: work in progress (net)	10,103,368	1,902,150	12,005,518	(1,670,837)	10,334,681	(1,298,971)	9,035,710
	<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>	<u>\$ 342,762</u>	<u>\$ 123,547,560</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012, 2011 AND 2010**

The following table summarizes the changes in leasehold improvements for 2010, 2011 and 2012:

	January 1, 2010	Increase/ (Decrease)	December 31, 2010	Increase/ (Decrease)	December 31, 2011	Increase/ (Decrease)	December 31, 2012
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	152,000	16,692,000	35,000	16,727,000
Leasehold interest capital projects	-	9,314,968	9,314,968	4,221,031	13,535,999	2,086,555	15,622,554
	168,153,303	9,314,968	177,468,271	4,373,031	181,841,302	2,121,555	183,962,857
Less: Accumulated Amortization	84,945,076	4,909,309	89,854,385	5,513,032	95,367,417	5,673,769	101,041,186
	83,208,227	4,405,659	87,613,886	(1,140,001)	86,473,885	(3,552,214)	82,921,671
Add: leasehold imp work in progress	10,008,892	(2,925,018)	7,083,874	3,090,706	10,174,580	(602,938)	9,571,642
	<u>\$ 93,217,119</u>	<u>\$ 1,480,641</u>	<u>\$ 94,697,760</u>	<u>\$ 1,950,705</u>	<u>\$ 96,648,465</u>	<u>\$ (4,155,152)</u>	<u>\$ 92,493,313</u>

**Capital Debt** - The following table summarizes the capital debt as of December 31, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Water refunding bonds payable	\$ 67,337,148	\$ 72,899,797	\$ 70,061,474
Sewer refunding bonds payable	69,566,996	75,420,368	60,818,785
Sewer capital notes payable	-	-	7,000,000
Water NJ infrastructure trust loan	19,399,593	21,524,872	22,686,598
Sewer NJ infrastructure trust loans	29,318,671	29,774,840	32,181,329
Due to City of Jersey City	<u>37,425,000</u>	<u>41,187,000</u>	<u>44,855,000</u>
Total bonds and loans payable	<u>\$ 223,047,408</u>	<u>\$ 240,806,877</u>	<u>\$ 237,603,186</u>

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 POSITION**

ASSETS	Water Fund		Sewer Fund		Totals	
	Balance, December 31, 2012	2011 (As Restated)	Balance, December 31, 2012	2011 (As Restated)	Balance, December 31, 2012	2011 (As Restated)
<b>Current assets:</b>						
Cash and cash equivalents - Operating and General Fund	\$ 1,469,040	\$ 12,277,330	\$ 14,953,195	\$ 12,522,706	\$ 16,422,235	\$ 24,800,036
Cash and cash equivalents - Revenue Fund	21,432,040	2,985,597	6,273,596	7,011,725	27,705,636	9,997,322
Pre-paid interest	80,538	-	-	-	80,538	-
Water-user fees receivable (net of allowance for doubtful accounts of \$3,004,830 and \$2,703,280 )	7,912,117	8,668,177	-	-	7,912,117	8,668,177
Sewer-user fees receivable (net of allowance for doubtful accounts of \$1,109,358 and \$654,761)	-	-	5,016,682	4,740,493	5,016,682	4,740,493
Due from Sewer Fund	20,078,510	24,334,718	-	-	20,078,510	24,334,718
Accounts receivable	-	-	3,457	-	3,457	-
Accounts receivable - MMREF	985,588	-	-	-	985,588	-
Accounts receivable - United Water	114,147	41,567	-	-	114,147	41,567
Accounts receivable - North Hudson	-	-	477,359	940,076	477,359	940,076
Accounts receivable - North Bergen	-	-	6,312	6,312	6,312	6,312
<b>Total current assets</b>	<b>52,071,980</b>	<b>48,307,389</b>	<b>26,730,601</b>	<b>25,221,312</b>	<b>78,802,581</b>	<b>73,528,701</b>
<b>Noncurrent assets:</b>						
Cash and cash equivalents - Restricted	10,505,114	10,782,492	8,051,138	11,460,366	18,556,252	22,242,858
Investments - Restricted	7,707,000	7,707,000	-	-	7,707,000	7,707,000
Due from NJ Infrastructure Trust Fund - Restricted	588,869	2,941,089	5,115,271	5,858,320	5,704,140	8,799,409
Costs of issuance	1,413,630	1,509,151	1,739,096	2,009,574	3,152,726	3,518,725
Security deposit	-	-	275	275	275	275
<b>Other noncurrent assets</b>	<b>20,214,613</b>	<b>22,939,732</b>	<b>14,905,780</b>	<b>19,328,535</b>	<b>35,120,393</b>	<b>42,268,267</b>
<b>Capital assets:</b>						
Land	-	-	346,572	346,572	346,572	346,572
Work in progress	-	-	9,035,710	10,334,681	9,035,710	10,334,681
Improvements and equipment, net	-	-	114,165,278	112,523,545	114,165,278	112,523,545
<b>Net capital assets</b>	<b>-</b>	<b>-</b>	<b>123,547,560</b>	<b>123,204,798</b>	<b>123,547,560</b>	<b>123,204,798</b>
<b>Leasehold improvements:</b>						
Leasehold capital improvements	13,406,170	12,359,017	-	-	13,406,170	12,359,017
Leasehold work in progress	9,571,642	10,174,580	-	-	9,571,642	10,174,580
Net leasehold interest	69,515,501	74,114,868	-	-	69,515,501	74,114,868
<b>Net leasehold improvements</b>	<b>92,493,313</b>	<b>96,648,465</b>	<b>-</b>	<b>-</b>	<b>92,493,313</b>	<b>96,648,465</b>
<b>Total noncurrent assets</b>	<b>112,707,926</b>	<b>119,588,197</b>	<b>138,453,340</b>	<b>142,533,333</b>	<b>251,161,266</b>	<b>262,121,530</b>
<b>Total assets</b>	<b>164,779,906</b>	<b>167,895,586</b>	<b>165,183,941</b>	<b>167,754,645</b>	<b>329,963,847</b>	<b>335,650,231</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
None	-	-	-	-	-	-

See notes to the financial statements

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

LIABILITIES	Water Fund		Sewer Fund		Totals	
	Balance, December 31,		Balance, December 31,		Balance, December 31,	
	2012	2011 (As Restated)	2012	2011 (As Restated)	2012	2011 (As Restated)
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,255,007	\$ 626,706	\$ 1,105,371	\$ 897,506	\$ 2,360,378	\$ 1,524,212
Payroll deductions payable	-	-	51,936	44,393	51,936	44,393
Customer deposits	675,975	974,094	434,660	341,008	1,110,635	1,315,102
Accrued interest payable	1,093,841	1,160,464	1,362,132	1,443,973	2,455,973	2,604,437
Bonds and loans payable	7,098,755	6,833,541	8,643,377	8,218,745	15,742,132	15,052,286
Due to Water Fund	-	-	20,078,510	24,334,718	20,078,510	24,334,718
Due to City of Jersey City	3,745,000	3,797,000	-	-	3,745,000	3,797,000
Total current liabilities	<u>13,868,578</u>	<u>13,391,805</u>	<u>31,675,986</u>	<u>35,280,343</u>	<u>45,544,564</u>	<u>48,672,148</u>
Noncurrent liabilities:						
Bonds payable:						
Sewer refunding bonds payable	-	-	63,076,996	69,265,368	63,076,996	69,265,368
Deferred revenue	2,152,174	2,295,652	-	-	2,152,174	2,295,652
Water revenue bonds payable	61,402,148	67,234,797	-	-	61,402,148	67,234,797
Net OPEB obligation	-	-	6,623,580	5,338,473	6,623,580	5,338,473
Infrastructure trust loan payable	18,235,838	20,356,331	27,165,294	27,711,095	45,401,132	48,067,426
Due to City of Jersey City	47,680,000	51,390,000	-	-	47,680,000	51,390,000
Total noncurrent liabilities	<u>129,470,160</u>	<u>141,276,780</u>	<u>96,865,870</u>	<u>102,314,936</u>	<u>226,336,030</u>	<u>243,591,716</u>
Total liabilities	<u>143,338,738</u>	<u>154,668,585</u>	<u>128,541,856</u>	<u>137,595,279</u>	<u>271,880,594</u>	<u>292,263,864</u>
DEFERRED INFLOWS OF RESOURCES						
None	-	-	-	-	-	-
NET POSITION						
Invested in capital assets, net of related debt	-	-	35,962,246	34,140,135	35,962,246	34,140,135
Invested in leasehold interest, net of related debt	(37,381,212)	(42,044,964)	-	-	(37,381,212)	(42,044,964)
Restricted	-	-	250,000	250,000	250,000	250,000
Unrestricted	58,822,380	55,271,965	429,839	(4,230,769)	59,252,219	51,041,196
Total net position	<u>\$ 21,441,168</u>	<u>\$ 13,227,001</u>	<u>\$ 36,642,085</u>	<u>\$ 30,159,366</u>	<u>\$ 58,083,253</u>	<u>\$ 43,386,367</u>

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

	Water Fund		Sewer Fund		Totals	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011	2012	2011
Operating revenues:						
User charges	\$ 46,409,504	\$ 45,403,742	\$ 48,386,418	\$ 45,432,361	\$ 94,795,922	\$ 90,836,103
Bulk water	9,082,522	9,563,519	-	-	9,082,522	9,563,519
Interest on delinquent payments	564,347	756,118	439,182	649,263	1,003,529	1,405,381
Service agreements	-	-	2,165,706	2,371,378	2,165,706	2,371,378
Connection Fees	379,099	537,437	3,824,116	1,477,147	4,203,215	2,014,584
Other revenue	1,769,231	-	12,094	17,789	1,781,325	17,789
Total operating revenues	<u>58,204,703</u>	<u>56,260,816</u>	<u>54,827,516</u>	<u>49,947,938</u>	<u>113,032,219</u>	<u>106,208,754</u>
Operating expenses:						
Cost of providing services	36,230,495	31,738,253	33,477,872	30,376,327	69,708,367	62,114,580
Administrative, executive and professional	2,500,000	2,359,800	3,418,962	2,457,700	5,918,962	4,817,500
Depreciation expense	-	-	7,075,838	6,631,000	7,075,838	6,631,000
Leasehold amortization expense	5,673,769	5,513,032	-	-	5,673,769	5,513,032
Total operating expenses	<u>44,404,264</u>	<u>39,611,085</u>	<u>43,972,672</u>	<u>39,465,027</u>	<u>88,376,936</u>	<u>79,076,112</u>
Operating income (loss):	<u>13,800,439</u>	<u>16,649,731</u>	<u>10,854,844</u>	<u>10,482,911</u>	<u>24,655,283</u>	<u>27,132,642</u>
Nonoperating revenues (expenses):						
Interest income	181,997	172,434	40,421	30,890	222,418	203,324
Interest expense	(5,567,896)	(5,762,038)	(3,827,096)	(3,676,074)	(9,394,992)	(9,438,112)
Other amortization expense	(200,373)	(232,143)	(585,450)	(937,226)	(785,823)	(1,169,369)
Total nonoperating revenues (expenses)	<u>(5,586,272)</u>	<u>(5,821,747)</u>	<u>(4,372,125)</u>	<u>(4,582,410)</u>	<u>(9,958,397)</u>	<u>(10,404,157)</u>
Change in net position	8,214,167	10,827,984	6,482,719	5,900,501	14,696,886	16,728,485
Net position, beginning of year	13,227,001	2,399,017	30,159,366	24,258,865	43,386,367	26,657,882
Net position, end of year	<u>\$ 21,441,168</u>	<u>\$ 13,227,001</u>	<u>\$ 36,642,085</u>	<u>\$ 30,159,366</u>	<u>\$ 58,083,253</u>	<u>\$ 43,386,367</u>

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

	Water Fund		Sewer Fund		Totals	
	Year Ended December 31, 2012	2011	Year Ended December 31, 2012	2011	Year Ended December 31, 2012	2011
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers	\$ 56,514,314	\$ 53,395,433	\$ 55,095,602	\$ 48,882,201	\$ 111,609,916	\$ 102,277,634
Other receipts	2,148,330	537,437	8,637	17,789	2,156,967	555,226
Payments to employees	-	-	(6,397,819)	(6,200,416)	(6,397,819)	(6,200,416)
Payments to vendors	(25,602,194)	(22,982,931)	(28,998,500)	(25,144,248)	(54,600,694)	(48,127,179)
Other payments	(12,500,000)	(12,000,000)	-	-	(12,500,000)	(12,000,000)
Net cash provided by operating activities	<u>20,560,450</u>	<u>18,949,939</u>	<u>19,707,920</u>	<u>17,555,326</u>	<u>40,268,370</u>	<u>36,505,265</u>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Transfers (to) from Other Fund	4,256,208	4,812,693	(4,256,208)	(4,812,693)	-	-
Unreimbursed expenses - Due from North Bergen	-	-	-	91,560	-	91,560
Net cash provided (used) in noncapital financing activity	<u>4,256,208</u>	<u>4,812,693</u>	<u>(4,256,208)</u>	<u>(4,721,133)</u>	<u>-</u>	<u>91,560</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Leasehold Financing Due City of Jersey City	(3,797,000)	(3,820,000)	-	-	(3,797,000)	(3,820,000)
Unreimbursed capital expenses - Due from City of Jersey City	(1,052,268)	(35,252)	-	-	(1,052,268)	(35,252)
Reimburse capital expenses - Due from City of Jersey City	-	117,425	-	-	-	117,425
Principal payments on Capital Debt	(6,833,541)	(6,571,726)	(8,163,745)	(7,661,612)	(14,997,286)	(14,233,338)
Interest paid on Capital Debt	(5,634,519)	(5,799,091)	(3,866,060)	(3,765,729)	(9,500,579)	(9,564,820)
NJEIT loan drawdown	1,205,126	4,450,472	2,260,395	2,002,302	3,465,521	6,452,774
2010 Project Note (Retirement) Issuance	-	-	-	(7,000,000)	-	(7,000,000)
2001 Sewer Bond Defeasance	-	-	-	(7,000,000)	-	(7,000,000)
2011 Bond Issuance	-	8,546,098	-	26,179,067	-	34,725,165
Cost of issuance paid	(2,500)	(244,456)	(20,989)	(641,638)	(23,489)	(886,094)
Purchase of leasehold assets/capital assets	(1,379,700)	(7,311,738)	(7,418,602)	(8,463,419)	(8,798,302)	(15,775,157)
Net cash (used) by capital and related financing activity	<u>(17,494,402)</u>	<u>(10,668,268)</u>	<u>(17,209,001)</u>	<u>(6,351,029)</u>	<u>(34,703,403)</u>	<u>(17,019,297)</u>
<b>Cash Flows From Investing Activities:</b>						
Receipt of interest income	38,519	29,006	40,421	31,027	78,940	60,033
Net cash provided by investing activities	<u>38,519</u>	<u>29,006</u>	<u>40,421</u>	<u>31,027</u>	<u>78,940</u>	<u>60,033</u>
Increase (decrease) in cash and cash equivalents	7,360,775	13,123,370	(1,716,868)	6,514,191	5,643,907	19,637,561
Cash and cash equivalents at beginning of year	26,045,419	12,922,049	30,994,797	24,480,606	57,040,216	37,402,655
Cash and cash equivalents at end of year	<u>\$ 33,406,194</u>	<u>\$ 26,045,419</u>	<u>\$ 29,277,929</u>	<u>\$ 30,994,797</u>	<u>\$ 62,684,123</u>	<u>\$ 57,040,216</u>
Current cash and cash equivalents at end of year	1,469,040	12,277,330	14,953,195	12,522,706	16,422,235	24,800,036
Current restricted cash and cash equivalents at end of year	21,432,040	2,985,597	6,273,596	7,011,725	27,705,636	9,997,322
Noncurrent restricted cash and cash equivalents at end of year	10,505,114	10,782,492	8,051,138	11,460,366	18,556,252	22,242,858
	<u>\$ 33,406,194</u>	<u>\$ 26,045,419</u>	<u>\$ 29,277,929</u>	<u>\$ 30,994,797</u>	<u>\$ 62,684,123</u>	<u>\$ 57,040,216</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating income (loss):	\$ 13,800,439	\$ 16,649,731	\$ 10,854,844	\$ 10,482,911	\$ 24,655,283	\$ 27,132,642
Adjustments to reconcile operating income to net cash provided by operating activities:						
Amortization expense	5,673,769	5,513,032	-	-	5,673,769	5,513,032
Depreciation expense	-	-	7,075,838	6,631,000	7,075,838	6,631,000
(Increase) in accounts receivable	-	-	(3,457)	-	(3,457)	-
(Increase) in user fees receivable	756,060	(2,325,609)	(276,189)	141,532	479,871	(2,184,077)
(Decrease) increase in customer deposits	(298,119)	(2,337)	93,652	(249,404)	(204,467)	(251,741)
Decrease (increase) in due from North Hudson Sewerage Authority	-	-	462,717	(940,076)	462,717	(940,076)
Increase (decrease) in accounts payable and payroll deductions	628,301	(884,878)	215,408	279,365	843,709	(605,513)
Increase in net OPEB obligation	-	-	1,285,107	1,209,998	1,285,107	1,209,998
Net Cash Provided by Operating Activities	<u>\$ 20,560,450</u>	<u>\$ 18,949,939</u>	<u>\$ 19,707,920</u>	<u>\$ 17,555,326</u>	<u>\$ 40,268,370</u>	<u>\$ 36,505,265</u>

See notes to the financial statements.

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

**DECEMBER 31, 2012 AND 2011**

**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.

In June 2011, the GASB adopted its Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” (Statement No. 63) The Authority adopted Statement No. 63 during the fiscal year ended December 31, 2012 with an effective date of January 1, 2011. Statement No. 63 super-cedes some sections of Statement No. 34. Statement No. 65 “Items Previously Reported as Assets and Liabilities” is effective for years beginning after December 15, 2012 and will be implemented during the next fiscal year.

**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 position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.



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

**DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 2003 Amended Franchise Agreement) which provided, among other things, to extend the Franchise Agreement with the City until March 31,

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

**DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Authority Description (Continued)**

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 (the 2005 Amended Franchise Agreement) which changed the yearly payments due to the city generally making the near term payments lower and increasing future year payments.

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.

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

**DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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, 2012 and 2011 was not material.

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

**DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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

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

**DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Leasehold Interest (Continued)**

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, 2012 (see Note 6.) The leasehold interest is being amortized on a straight-line basis over the life of the 2003 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 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 2011 basic financial statements have been reclassified in order to conform with the 2012 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**

Sewer Revenue Fund  
Sewer Operating Fund  
Sewer Bond Sinking Fund  
Sewer Bond Reserve Fund  
(Debt Service Reserve Fund)

**Water Fund**

Water Revenue Fund  
Water Operating Fund  
(a) Water Operating Account  
(b) First Lien Water Bond Account  
Water Bond Sinking Fund

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

**DECEMBER 31, 2012 AND 2011**

**2. RESTRICTED ACCOUNTS (Continued)**

Sewer Renewal and Replacement Fund	Water Bond Reserve Fund
Sewer General Fund (Surplus Fund)	City Franchise Fee Payment Fund
Sewer Rebate Fund	Water Renewal and Replacement Fund
Sewer Construction 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.
- 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:

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

**DECEMBER 31, 2012 AND 2011**

**2. RESTRICTED ACCOUNTS (Continued)**

**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;

**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.

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

**DECEMBER 31, 2012 AND 2011**

**2. RESTRICTED ACCOUNTS (Continued)**

**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 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**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Cash and Cash Equivalents	\$ 250,082	\$ 250,056
Renewal and Replacement Requirement	<u>250,000</u>	<u>250,000</u>
Excess	<u>\$ 82</u>	<u>\$ 56</u>

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

**Water Bond Reserve Fund**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Investments, Cash and Cash Equivalents	\$ 10,623,291	\$ 10,622,988
Water Bond Reserve Requirement	<u>9,879,282</u>	<u>9,879,282</u>
Excess	<u>\$ 744,009</u>	<u>\$ 743,706</u>



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

**DECEMBER 31, 2012 AND 2011**

**2. RESTRICTED ACCOUNTS (Continued)**

**Sewer Bond Reserve Fund**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Investments, Cash and Cash Equivalents	\$ 1,426,241	\$ 1,426,098
Sewer Bond Reserve Requirement	1,265,680	1,265,680
Excess	\$ 160,561	\$ 160,418

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, 2012 and 2011.

**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

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

**DECEMBER 31, 2012 AND 2011**

**2. RESTRICTED ACCOUNTS (Continued)**

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.

**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, 2012 and 2011, none of the Authority’s bank balances of \$68,443,877 and \$64,392,300 was exposed to custodial credit risk or foreign currency risk.

As of December 31, 2012 and 2011, the Authority’s deposits are summarized as follows:

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

**DECEMBER 31, 2012 AND 2011**

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	2012	2011
Insured - FDIC	\$ 500,000	\$ 500,000
Insured - GUDPA	67,943,127	63,891,550
Petty cash	750	750
	\$68,443,877	\$64,392,300

During 2012 and 2011, the Authority had a compensating balance agreement with Capital One Bank in the amount of \$200,000.

**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, 2012 and 2011, the Authority invested primarily in money market funds and a FNMA note. The FNMA note had a A-1+ Standard and Poors' short-term bond rating, and a P-1+ Moody's short-term bond rating.

As of December 31, 2012 and 2011, the Authority had the following investments:

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

**DECEMBER 31, 2012 AND 2011**

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

	<u>Maturities</u>	<u>Bond Rating</u>	<u>2012</u>	<u>2011</u>
Federal Home Loan Bank				
Discount Note (FHND)	5/15/2013	A-1/P-1	7,707,000	-
FNMA	4/2/2012	A-1/P-1	-	7,707,000
			<u>\$ 7,707,000</u>	<u>\$ 7,707,000</u>

As of December 31, 2012 and 2011 the Authority also held \$22,370,742 and \$25,782,796 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, 2012 and 2011, 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, 2012 and 2011 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, 2012 and 2011, 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.

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

**DECEMBER 31, 2012 AND 2011**

**4. RETIREMENT PLAN (Continued)**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55th of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the system.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Significant Legislation:**

Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Public Employees' Retirement System (PERS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement is increased from age 62 to 65 for Tier 5 members.
- Increases in active member contribution rates. Active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; For fiscal year 2012, the member contribution rates will increase in October 2011. The phase-in of the additional incremental member contribution rates for members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of

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

**DECEMBER 31, 2012 AND 2011**

**4. RETIREMENT PLAN (Continued)**

coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

P.L. 2010, c.1, effective May 21, 2010, changed the membership eligibility criteria for new members PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members to 1/60 from 1/55, and it provided that new members have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

The contribution policy is set by N.J.S.A 43:15A, Chapter 62 P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 5.5%, respectfully, of employees' annual compensation, as defined. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in the first fiscal year. For fiscal year ending June 30, 2012, the member contribution rate increased in October 2011. The phase-in of the additional incremental member contribution rate will take place on July 1<sup>st</sup> of each subsequent fiscal year.

Contributions made by employees for the years ended December 31, 2012, 2011 and 2010 were 6.64%, 6.5% and 5.5%, respectively, of their base wages. Rates were increased to 6.64% effective July 1, 2012. The Authority and employees' contributions for the past three years were as follows:

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

**DECEMBER 31, 2012 AND 2011**

**4. RETIREMENT PLAN (Continued)**

Year Ended	Authority Contribution	Authority Contribution as a percentage of covered payroll	Employee Contributions
2012	\$ 689,958	10.78%	\$ 351,880
2011	\$ 634,213	10.23%	\$ 341,023
2010	\$ 547,864	9.09%	\$ 331,606

For 2012, 2011 and 2010, \$30,161, \$30,233 and \$30,140 respectively, was for the Early Retirement Incentive and \$24,096 , \$23,786 and \$-0-, respectively, was funded by the Chapter 19, P.L. 2009 Deferral.

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.

**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, 2012 AND 2011**

**5. CAPITAL ASSETS (Continued)**

**B. Capital assets include:**

	<u>December 31, 2011</u>	<u>Additions/ Deletions/ Transfers</u>	<u>December 31, 2012</u>
Capital assets:			
Land and land rights	\$ 346,572	\$ -	\$ 346,572
Infrastructure and improvements	223,349,106	7,060,063	230,409,169
Equipment, meters and vehicles	<u>32,747,394</u>	<u>1,657,508</u>	<u>34,404,902</u>
	256,443,072	8,717,571	265,160,643
Less: accumulated depreciation:	<u>(143,572,955)</u>	<u>(7,075,838)</u>	<u>(150,648,793)</u>
	112,870,117	1,641,733	114,511,850
Add: work in progress (net)	<u>10,334,681</u>	<u>(1,298,971)</u>	<u>9,035,710</u>
	<u>\$ 123,204,798</u>	<u>\$ 342,762</u>	<u>\$ 123,547,560</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

**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 Position. 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, 2012 and 2011 net of accumulated amortization is as follows:



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

**DECEMBER 31, 2012 AND 2011**

**6. LEASEHOLD INTEREST AND DUE TO CITY OF JERSEY CITY (Continued)**

	December 31, 2011	Increase/ (Decrease)	December 31, 2012
Leasehold interest:			
Leasehold interest	\$ 109,613,303	\$ -	\$ 109,613,303
Additional franchise fee	42,000,000	-	42,000,000
Additional water debt issued	16,692,000	35,000	16,727,000
Leasehold interest capital projects	13,535,999	2,086,555	15,622,554
	<u>181,841,302</u>	<u>2,121,555</u>	<u>183,962,857</u>
Less: Accumulated Amortization	<u>95,367,417</u>	<u>5,673,769</u>	<u>101,041,186</u>
	86,473,885	(3,552,214)	82,921,671
Add: leasehold improvements work in progress	<u>10,174,580</u>	<u>(602,938)</u>	<u>9,571,642</u>
	<u>\$ 96,648,465</u>	<u>\$ (4,155,152)</u>	<u>\$ 92,493,313</u>

As of December 31, 2012 and 2011, the Authority has paid the City \$116,915,303 and \$113,118,303 respectively, and has a balance due to the City of \$51,425,000 and \$55,187,000 respectively. The City refinanced certain city issued bonds payable by the Authority in each of the last two years and the \$35,000 and \$152,000 of costs of issuance was added to the principal amount due to the City during the year ended December 31, 2012 and 2011, respectively. 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, 2012. The schedule of principal payments on City Water Debt is detailed in Note 7H.

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

**DECEMBER 31, 2012 AND 2011**

**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. The 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 statements of net position. 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	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2011	2012*	December 31, 2012
Series 1993 -								
"A" Term Bonds	10/13/93	11,705,000	6.25	1/1/14	11,705,000	\$ 8,960,000	\$ 2,915,000	\$ 6,045,000
						\$ 8,960,000	\$ 2,915,000	\$ 6,045,000
Recapitulation of balance:						\$ 8,960,000		\$ 6,045,000
Less: Unamortized Deferred Loss on Refunding and Premiums, Net						(627,526)		(313,764)
						\$ 8,332,474		\$ 5,731,236
Current portion of bonds payable						\$ 2,915,000		\$ 3,095,000
Long-term portion of bonds payable						5,417,474		2,636,236
						\$ 8,332,474		\$ 5,731,236

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

**DECEMBER 31, 2012 AND 2011**

**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 statements of net position. 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, 2011		December 31, 2012
Series 1998 -								
Serial Bonds	10/1/98	\$ 23,800,000	5.25	12/1/13	1,645,000			
			5.25	12/1/14	1,725,000	\$ 4,930,000	\$ 1,560,000	\$ 3,370,000
Recapitulation of balance:						\$ 4,930,000		\$ 3,370,000
Less: Unamortized Deferred Loss on Refunding and Premiums, Net						(87,927)		(58,618)
						\$ 4,842,073		\$ 3,311,382
Current portion of bonds payable						\$ 1,560,000		\$ 1,645,000
Long-term portion of bonds payable						3,282,073		1,666,382
						\$ 4,842,073		\$ 3,311,382

**C. 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

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**C. Water Revenue Bonds, Series 2003 A and B**

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 statements of net position. 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.

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

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2011		December 31, 2012
Series 2003 - Serial Bonds	5/16/03	\$ 43,155,000	4.760	5/15/13	4,725,000			
			4.810	5/15/14	4,950,000			
			4.910	5/15/15	5,185,000	\$ 19,375,000	\$ 4,515,000	\$ 14,860,000
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>\$ 60,885,000</u>	<u>\$ 4,515,000</u>	<u>\$ 56,370,000</u>
Recapitulation of balance:						\$ 60,885,000		\$ 56,370,000
Less: Deferred loss on refunding and unamortized discount, net						(1,557,072)		(1,459,755)
						<u>\$ 59,327,928</u>		<u>\$ 54,910,245</u>
Current portion of bonds payable						\$ 4,515,000		\$ 4,725,000
Long-term portion of bonds payable						<u>54,812,928</u>		<u>50,185,245</u>
						<u>\$ 59,327,928</u>		<u>\$ 54,910,245</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**D. 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 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 statements of net position.

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, 2011		December 31, 2012
Series 2005 -								
Serial Bonds	12/12/05	\$ 9,015,000	5.600	11/15/13	1,210,000			
			5.600	11/15/14	1,280,000			
			4.910	11/15/15	1,350,000	\$ 4,990,000	\$ 1,150,000	\$ 3,840,000
Recapitulation of balance:						\$ 4,990,000		\$ 3,840,000
Plus: Unamortized gain on refunding, net						24,589		18,442
						<u>\$ 5,014,589</u>		<u>\$ 3,858,442</u>
Current portion of bonds payable						\$ 1,150,000		\$ 1,210,000
Long-term bonds payable						<u>3,864,589</u>		<u>2,648,442</u>
						<u>\$ 5,014,589</u>		<u>\$ 3,858,442</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**E. 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 statements of net position.

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, 2011		December 31, 2012
Series 2005 -								
Serial Bonds	12/12/05	\$ 7,985,000	5.600	11/15/13	1,075,000			
			5.600	11/15/14	1,135,000			
			4.910	11/15/15	1,195,000	\$ 4,420,000	\$ 1,015,000	\$ 3,405,000
Recapitulation of balance:						\$ 4,420,000		\$ 3,405,000
Less: Deferred loss on refunding, net						(53,771)		(40,328)
						\$ 4,366,229		\$ 3,364,672
Current portion of bonds payable						\$ 1,015,000		\$ 1,075,000
Long-term bonds payable						3,351,229		2,289,672
						\$ 4,366,229		\$ 3,364,672

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**F. 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 statements of net position.

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, 2011		December 31, 2012
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 loss on refunding and bond premium, net						563,479		491,545
Long-term bonds payable						<u>\$ 31,683,479</u>		<u>\$ 31,611,545</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**G. 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 18<sup>th</sup> 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  
NOTES TO BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**G. 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			Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
	Date	Amount	Rate	Date	Amount			
Series 2011 - Serial Bonds								
	10/15/11	\$ 26,520,000	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			
						<u>\$ 26,520,000</u>	<u>\$ 665,000</u>	<u>\$ 25,855,000</u>
Recapitulation of balance:						\$ 26,520,000		\$ 25,855,000
Less: Unamortized original issue discount						(323,887)		(306,839)
						<u>\$ 26,196,113</u>		<u>\$ 25,548,161</u>
Current portion of bonds payable						\$ 665,000		\$ 675,000
Long-term bonds payable						25,531,113		24,873,161
						<u>\$ 26,196,113</u>		<u>\$ 25,548,161</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**G. 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			Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
	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>\$ -</u>	<u>\$ 8,725,000</u>
Recapitulation of balance:						\$ 8,725,000		\$ 8,725,000
Less: Unamortized original issue discount						(167,720)		(156,539)
Long-term bonds payable						<u>\$ 8,557,280</u>		<u>\$ 8,568,461</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**H.** 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, 2011	Issued/ (Paid) or (Refunded*) in 2012	Balance December 31, 2012
	Date	Amount	Rate	Date	Amount			
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	9/1/13 9/1/14 9/1/15 9/1/16 9/1/17 9/1/18 9/1/19 9/1/20 9/1/21	1,900,000 1,875,000 1,855,000 2,060,000 2,065,000 2,175,000 945,000 1,035,000 1,020,000	16,860,000	(1,930,000)	14,930,000
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
2006 Qualified Water Series B	10/24/2006	5,000,000	4.125 4.250 4.250 4.250 4.250 4.250 4.250 4.250 4.250 4.250	8/1/13 8/1/14 8/1/15 8/1/16 8/1/17 8/1/18 8/1/19 8/1/20 8/1/21	315,000 330,000 340,000 355,000 370,000 385,000 400,000 415,000 435,000	3,650,000	(305,000)	3,345,000
				sub totals		31,400,000	(6,465,000)	24,935,000

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**H.** 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 (Continued)

Description	Original		Maturities			Balance December 31, 2011	(Paid) in 2012	Balance December 31, 2012
	Date	Amount	Rate	Date	Amount			
2007 Qualified Water Series B	4/25/2007	10,930,000	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	7,800,000	(1,530,000)	6,270,000
2011 Water Refunding Bonds	9/1/2011	1,987,000	2.500	9/1/13	15,000			
			1.750	9/1/14	10,000			
			4.000	9/1/14	5,000			
			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			
			3.625	9/1/25	320,000			
			3.625	9/1/26	330,000			
			3.750	9/1/27	340,000			
			4.000	9/1/28	355,000	1,987,000	(32,000)	1,955,000
					sub totals	9,787,000	(1,562,000)	8,225,000

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**H.** 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 (Continued)

Description	Original		Maturities			Balance December 31, 2011	Issued/ (Paid) in 2012	Balance December 31, 2012
	Date	Amount	Rate	Date	Amount			
2012B Water Refunding Bonds	9/20/2012	4,265,000	3.000	9/1/2013	30,000			
			3.000	9/1/2014	20,000			
			3.000	9/1/2015	20,000			
			4.000	9/1/2016	25,000			
			4.000	9/1/2017	625,000			
			4.000	9/1/2018	710,000			
			4.000	9/1/2019	720,000			
			3.000	9/1/2020	785,000			
			3.000	9/1/2021	340,000			
			3.000	9/1/2022	335,000			
			2.750	9/1/2023	330,000			
			3.000	9/1/2024	325,000	-	4,265,000	4,265,000
<b>Grand Total</b>						<u>\$ 41,187,000</u>	<u>\$ (3,762,000)</u>	<u>\$ 37,425,000</u>
Current Portion of Due to City of Jersey City						\$ 3,797,000		\$ 3,745,000
Long Term Portion of Due to City of Jersey City						<u>37,390,000</u>		<u>33,680,000</u>
						<u>\$ 41,187,000</u>		<u>\$ 37,425,000</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

- I. New Jersey Environmental Infrastructure Trust Loans (NJEIT) - Series 1999, 2001, 2007, 2008, 2009, 2010 and 2012.**

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, 2012 and 2011, 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, 2012 and 2011, \$15,223,656 and \$15,223,656 has been drawn-down on the loan, leaving a receivable balance of \$-0- and \$-0-, 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, 2012 and 2011, \$10,877,239 and \$10,755,414 has been drawn-down on the loan. This leaves a receivable balance of \$1,273,915 and \$1,395,740, 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, 2012 and 2011, \$11,925,741 and \$11,925,741 has been drawn-down on the loan. During the year ended December 31, 2012, the remaining balance of \$372,047 was applied against the August 1, 2012 payment. This leaves a receivable balance of \$-0- and \$372,047, respectively. The difference, or \$220,553, relates to Costs of Issuance withheld

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**I. The New Jersey Environmental Infrastructure Trust Loans (NJEIT) - Series 1999, 2001, 2007, 2008, 2009, 2010 and 2012 (Continued)**

from the loan drawdown by NJEIT. This, in addition to legal costs relating to the loan issuance by the Authority 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, 2012 and 2011, \$298,985 and \$-0- has been drawn-down on the loan. During the year ended December 31, 2012, the remaining balance of \$775,047 was applied against current and future loans payable. This leaves a receivable balance of \$-0- 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, 2012 and 2011, \$2,365,824 and \$389,907 has been drawn-down on the loan. This leaves a receivable balance of \$-0- and \$1,975,917, 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, 2012 and 2011, \$-0- and \$-0- has been drawn-down on the loan. This leaves a receivable balance of \$2,041,195 at both December 31, 2012 and 2011. 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, 2012 and 2011, \$3,402,906 and \$3,240,252 has been drawn-down on the loan. During the year ended December 31, 2012, the remaining balance of \$282,814 was applied against current and future loans payable. This leaves a receivable balance of \$-0- and \$445,468 at both December 31, 2012 and 2011. 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

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**I. The New Jersey Environmental Infrastructure Trust Loans (NJEIT) - Series 1999, 2001, 2007, 2008, 2009, 2010 and 2012 (Continued)**

Loan is a zero-interest loan. At December 31, 2012 and 2011, \$9,787,171 and \$8,881,030 has been drawn-down on the loan. This leaves a receivable balance of \$588,869 and \$1,495,010, respectively. There was a premium booked on this loan of \$14,010 which was amortized in 2010.

The Authority's Sewer Division received a supplemental \$425,000 Trust Loan and a \$1,350,121 Fund Loan from NJEIT during 2012 (Supplemental). 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, 2012, \$0- has been drawn-down on the loan. This leaves a receivable balance of \$1,800,161 at December 31, 2012. There was a premium booked on this loan of \$25,040 which is being amortized over the life of the loan.

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, 2011	Paid in 2012	Balance December 31, 2012
	Trust Loan	Fund Loan			
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>\$ 990,000</u>	<u>\$ 723,366</u>	<u>\$ 1,932,722</u>	<u>\$ 219,356</u>	<u>\$ 1,713,366</u>
Current Portion of Loan Payable			\$ 219,356		\$ 223,527
Long-term Portion of Loan Payable			1,713,366		1,489,839
			<u>\$ 1,932,722</u>		<u>\$ 1,713,366</u>



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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

Date	Maturities		Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
	Trust Loan	Fund Loan			
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>\$4,706,826</u>	<u>\$3,657,356</u>	<u>\$ 9,232,162</u>	<u>\$ 867,980</u>	<u>\$ 8,364,182</u>
Current Portion of Loan Payable			\$ 867,980		\$ 895,162
Long-term Portion of Loan Payable			<u>8,364,182</u>		<u>7,469,020</u>
			<u>\$ 9,232,162</u>		<u>\$ 8,364,182</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
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>\$ 2,855,000</u>	<u>\$ 7,307,247</u>	<u>\$ 10,787,120</u>	<u>\$ 624,873</u>	<u>\$ 10,162,247</u>
Current Portion of Loan Payable			\$ 624,873		\$ 630,625
Long-term Portion of Loan Payable			10,162,247		9,531,622
			<u>\$ 10,787,120</u>		<u>\$ 10,162,247</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2011	Paid/ Closed out in 2012	Balance December 31, 2012
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	195,103			
	<b>\$ 2,805,000</b>	<b>\$ 6,999,505</b>	<b>\$ 10,696,722</b>	<b>\$ 892,217</b>	<b>\$ 9,804,505</b>
Current Portion of Loan Payable			\$ 613,183		\$ 619,261
Long-term Portion of Loan Payable			10,083,539		9,185,244
			<b>\$ 10,696,722</b>		<b>\$ 9,804,505</b>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

<u>Date</u>	<u>Maturity Trust Loan</u>	<u>Fund Loan</u>	<u>Balance December 31, 2011</u>	<u>Paid/ Closed out in 2012</u>	<u>Balance December 31, 2012</u>
2/1/13		11,322			
8/1/13	-	28,591			
2/1/14		10,890			
8/1/14	-	27,835			
2/1/15		-			
8/1/15	-	-			
2/1/16		-			
8/1/16	-	-			
2/1/17		-			
8/1/17	-	-			
2/1/18		-			
8/1/18	-	-			
2/1/19		-			
8/1/19	-	-			
2/1/20		-			
8/1/20	3,582	-			
2/1/21		-			
8/1/21	15,000	-			
2/1/22		-			
8/1/22	15,000	-			
2/1/23		-			
8/1/23	20,000	-			
2/1/24		-			
8/1/24	20,000	-			
2/1/25		-			
8/1/25	20,000	-			
2/1/26		-			
8/1/26	20,000	-			
2/1/27		-			
8/1/27	20,000	-			
2/1/28		-			
8/1/28	25,000	-			
	<u>\$ 158,582</u>	<u>\$ 78,638</u>	<u>\$ 965,701</u>	<u>\$ 728,481</u>	<u>\$ 237,220</u>
Current Portion of Loan Payable			\$ 50,777		\$ 39,913
Long-term Portion of Loan Payable			914,924		197,307
			<u>\$ 965,701</u>		<u>\$ 237,220</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
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>\$ 1,100,000</u>	<u>\$ 1,058,396</u>	<u>\$ 2,260,654</u>	<u>\$ 102,258</u>	<u>\$ 2,158,396</u>
Current Portion of Loan Payable			\$ 102,258		\$ 107,258
Long-term Portion of Loan Payable			2,158,396		2,051,138
			<u>\$ 2,260,654</u>		<u>\$ 2,158,396</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
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>\$ 475,000</u>	<u>\$ 1,369,750</u>	<u>\$ 1,945,323</u>	<u>\$ 100,573</u>	<u>\$ 1,844,750</u>
Current Portion of Loan Payable			\$ 100,573		\$ 100,573
Long-term Portion of Loan Payable			1,844,750		1,744,177
			<u>\$ 1,945,323</u>		<u>\$ 1,844,750</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
2/1/13		31,235			
8/1/13	16,468	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	14,764			
2/1/30		-			
8/1/30	135,000	-			
	<u>\$ 1,616,468</u>	<u>\$ 1,545,279</u>	<u>\$ 3,495,390</u>	<u>\$ 333,643</u>	<u>\$ 3,161,747</u>
Add: Unamortize Premium, Net			121,467		115,074
Recapitulation:			<u>3,616,857</u>		<u>3,276,821</u>
Current Portion of Loan Payable			\$ 148,705		\$ 110,173
Long-term Portion of Loan Payable			3,468,152		3,166,648
			<u>\$ 3,616,857</u>		<u>\$ 3,276,821</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2011	Paid in 2012	Balance December 31, 2012
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>\$ 2,395,000</u>	<u>\$ 6,962,868</u>	<u>\$ 9,862,449</u>	<u>\$ 504,581</u>	<u>\$ 9,357,868</u>
Current Portion of Loan Payable			\$ 504,581		\$ 504,581
Long-term Portion of Loan Payable			9,357,868		8,853,287
			<u>\$ 9,862,449</u>		<u>\$ 9,357,868</u>



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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**I. The New Jersey Environmental Infrastructure Trust Loans (NJEIT)- Series 2012 Sewer**

Date	Maturity Trust Loan	Fund Loan	Issued in 2012	Balance December 31, 2012
2/1/13		23,686		
8/1/13	15,000	47,373		
2/1/14		23,686		
8/1/14	15,000	47,373		
2/1/15		23,686		
8/1/15	15,000	47,373		
2/1/16		23,686		
8/1/16	15,000	47,373		
2/1/17		23,686		
8/1/17	15,000	47,373		
2/1/18		23,686		
8/1/18	20,000	47,373		
2/1/19		23,686		
8/1/19	20,000	47,373		
2/1/20		23,686		
8/1/20	20,000	47,373		
2/1/21		23,686		
8/1/21	20,000	47,373		
2/1/22		23,686		
8/1/22	20,000	47,373		
2/1/23		23,686		
8/1/23	25,000	47,373		
2/1/24		23,686		
8/1/24	25,000	47,373		
2/1/25		23,686		
8/1/25	25,000	47,373		
2/1/26		23,686		
8/1/26	25,000	47,373		
2/1/27		23,686		
8/1/27	30,000	47,373		
2/1/28		23,686		
8/1/28	30,000	47,373		
2/1/29		23,686		
8/1/29	30,000	47,373		
2/1/30		23,686		
8/1/30	30,000	47,373		
2/1/31		23,686		
8/1/31	30,000	47,373		
	<u>\$ 425,000</u>	<u>\$ 1,350,121</u>	<u>\$ 1,775,121</u>	<u>\$ 1,775,121</u>
Add: Unamortize Premium, Net				23,788
Recapitulation:				<u>1,798,909</u>
Current Portion of Loan Payable				\$ 86,059
Long-term Portion of Loan Payable				1,712,850
				<u>\$ 1,798,909</u>

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

**DECEMBER 31, 2012 AND 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

**J. 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.

**K. 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
2013	\$ 15,742,132	\$ 7,118,251	\$ 22,860,383	\$ 3,745,000	\$ 1,513,803	\$ 5,258,803
2014	16,482,451	6,400,843	22,883,294	2,995,000	1,394,000	4,389,000
2015	17,506,829	5,658,463	23,165,292	2,250,000	1,282,800	3,532,800
2016	13,200,453	5,031,596	18,232,049	2,760,000	1,165,033	3,925,033
2017	13,685,971	4,503,186	18,189,157	4,295,000	1,017,477	5,312,477
2018-2022	54,221,826	15,525,346	69,747,172	16,615,000	2,467,841	19,082,841
2023-2027	45,695,973	6,885,183	52,581,156	2,240,000	592,000	2,832,000
2028-2032	10,773,767	922,721	11,696,488	355,000	330,658	685,658
2033		-	-	2,170,000	63,292	2,233,292
Total	<u>\$ 187,309,402</u>	<u>\$ 52,045,589</u>	<u>\$ 239,354,991</u>	<u>\$ 37,425,000</u>	<u>\$ 9,826,904</u>	<u>\$ 47,251,904</u>

**L. 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, 2012 and 2011, the total amount of defeased debt outstanding was \$31,250,000 and \$38,550,000, respectively.

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

**DECEMBER 31, 2012 AND 2011**

**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 18<sup>th</sup> 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 18<sup>th</sup> month.
- d. Spouse Benefit: Yes
- e. Surviving Spouse: Yes

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

**DECEMBER 31, 2012 AND 2011**

**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

f. Monthly Premiums:

<u>Pre-65</u>	<u>Retiree Only</u>	<u>Retiree &amp; 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 12/31/2010</u>	<u>Fiscal Year Ending 12/31/2011</u>	<u>Fiscal Year Ending 12/31/2012</u>
Annual required contribution (ARC) normal cost	\$ 814,543	\$ 843,811	\$ 874,501
Amortization of unfunded actuarial accrued liability (UAAL)	<u>661,179</u>	<u>725,530</u>	<u>793,488</u>
ARC	1,475,722	1,569,341	1,667,989
Interest on net OPEB obligation	119,049	165,139	212,532
Adjustment to ARC	<u>(120,628)</u>	<u>(172,007)</u>	<u>(227,514)</u>
Annual OPEB Cost	1,474,143	1,562,473	1,653,007
less: Contributions made	<u>321,895</u>	<u>352,475</u>	<u>367,900</u>
Increase in net OPEB obligation	\$ 1,152,248	\$ 1,209,998	\$ 1,285,107
Net OPEB obligation Beginning of year	<u>\$ 2,976,227</u>	<u>\$ 4,128,475</u>	<u>\$ 5,338,473</u>
Net OPEB obligation December 31	<u><u>\$ 4,128,475</u></u>	<u><u>\$ 5,338,473</u></u>	<u><u>\$ 6,623,580</u></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, 2012 AND 2011**

**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, 2012, 2011 and 2010 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Payroll
12/31/2010	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%
12/31/2012	1,653,007	22.3%	6,623,580	5,935,137	27.9%

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
12/31/2010	-	\$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%
12/31/2012	-	\$19,272,198	\$19,272,198	0%	\$ 5,935,137	325%

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, 2012 AND 2011**

**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. The Authority has had all of its tax-exempt debt issued reviewed with regards to compliance with the Code of Federal Regulations (CFR) Title 26, which governs the arbitrage yield limit restrictions and reporting on tax-exempt debt issued by state and local governments. For the period covering January 1, 2007 through December 31, 2011 it appears that there are no “arbitrage” bonds or any reporting requirements which have not been met.

**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 \$143,092 and \$124,239 at December 31, 2012 and 2011, 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 \$72,853 and \$96,228 at December 31, 2012 and 2011, respectively.

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

**DECEMBER 31, 2012 AND 2011**

**13. USER RATES**

<b>SEWER RATE</b>	
Effective Dates	Rate per 100 Cubic Feet of Water Consumed
1/1/12	5.06
1/1/11	4.88
1/1/10	4.70
<b>WATER RATE</b>	
Effective Dates	Rate per 100 Cubic Feet of Water Consumed
1/1/12	3.71
1/1/11	3.58
1/1/10	3.45

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 1<sup>st</sup> 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 1<sup>st</sup> 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, 2012 AND 2011**

**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, 2012 and 2011 the Authority had \$3,611,907 and \$4,449,036, respectively, of open construction contracts payable.

**15. NET POSITION**

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

**Invested in capital assets and leasehold interest, net of related debt:** This component of net position 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 position is reported as restricted when constraints are placed on the use of the net position by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted:** Net position 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, 2012 AND 2011**

**15. NET POSITION (Continued)**

Sewer Net Position amounts were calculated as follows:

	<b>Sewer Fund December 31, 2012</b>	<b>Sewer Fund December 31, 2011</b>
<b>Invested in Capital Assets, Net of Related Debt</b>		
Net Capital Assets	\$ 123,547,560	\$ 123,204,798
Sewer Refunding Bonds Payable (Net of unspent proceeds)	(58,631,010)	(61,002,717)
Bonds Payable (Current portion)	(8,643,377)	(8,218,745)
NJ Environmental Infrastructure Loan Payable Series 1999, 2001, 2007, 2009 and 2010	(22,050,023)	(21,852,775)
Bond issuance costs, discounts, premiums, net	1,739,096	2,009,574
	35,962,246	34,140,135
<b>Restricted</b>		
Unspent Bond proceeds	4,445,986	8,262,651
Sewer Revenue Bonds Payable	(4,445,986)	(8,262,651)
Loan Receivable	5,115,271	5,858,320
NJ Environmental Infrastructure Loan Payable - Series 1999, 2001, 2007, 2009 and 2010	(5,115,271)	(5,858,320)
Renewal and Replacement	250,000	250,000
	250,000	250,000
<b>Unrestricted Net Position</b>	429,839	(4,230,769)
<b>TOTAL NET POSITION</b>	<b>\$ 36,642,085</b>	<b>\$ 30,159,366</b>

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

**DECEMBER 31, 2012 AND 2011**

**15. NET POSITION (Continued)**

Water Net Position amounts were calculated as follows:

	<b>Water Fund December 31, 2012</b>	<b>Water Fund December 31, 2011</b>
<b>Invested in Leasehold Interest, Net of Related Debt</b>		
Net Leasehold Interest	\$ 92,493,313	\$ 96,648,465
Water Revenue Bonds Payable (Net of unspent proceeds)	(55,117,431)	(60,766,797)
Bonds Payable (Current portion)	(7,098,755)	(6,833,541)
Due to Jersey City	(47,680,000)	(51,390,000)
Due to Jersey City (Current portion)	(3,745,000)	(3,797,000)
NJ Environmental Infrastructure Loan Payable - Series 2007, 2008 and 2010	(17,646,969)	(17,415,242)
Bond issuance costs, discounts, premiums, net	1,413,630	1,509,151
	(37,381,212)	(42,044,964)
<b>Restricted</b>		
Loan Receivable	588,869	2,941,089
NJ Environmental Infrastructure Loan Payable - Series 2007, 2008 and 2010	(588,869)	(2,941,089)
Unspent Bond Proceeds	6,284,717	6,468,000
Water Revenue Bonds Payable	(6,284,717)	(6,468,000)
<b>Total Restricted</b>	-	-
<b>Unrestricted Net Position</b>	58,822,380	55,271,965
<b>TOTAL NET POSITION</b>	\$ 21,441,168	\$ 13,227,001

**16. CONNECTION FEES**

The Authority charges a fee for new connections to its Water and Sewer systems. At December 31, 2012 and 2011 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, 2012 AND 2011**

**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 \$402,608 and \$354,481 for 2012 and 2011 respectively.

The Authority engages an outside workers' compensation attorney 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, 2012 and 2011, the Authority paid \$24,197 and \$140,329, respectively, for workers compensation expenses excluding legal bills relating to workers' compensation. For the years ended December 31, 2012 and 2011 the Authority paid \$55,942 and \$55,438, respectively, in workers compensation attorney expenses.

**19. INTERFUND BALANCE**

The Authority has disclosed the inter-fund balances on the Statements of Net Position. 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 June 14, 2013, the date of this report.

## **SINGLE AUDIT SECTION**

# DONOHUE, GIRONDA & DORIA

*Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements of the Jersey City Municipal Utilities Authority (the "Authority"), as of, and for the year ended, December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 14, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency, is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

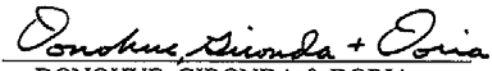
### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed 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.

### **Purpose of this Report**

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

  
DONOHUE, GIRONDA & DORIA  
Certified Public Accountants

  
MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey  
June 14, 2013

# DONOHUE, GIRONDA & DORIA

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the Jersey City Municipal Utilities Authority's (the "Authority") compliance 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, 2012. 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.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal and state program. Our audit does not provide a legal determination of the Authority's compliance.

### **Opinion on Each Major Federal and State Program**

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, 2012.


## Report on Internal Control Over Compliance


Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal or state program 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. A significant deficiency in internal control over compliance is a deficiency, or combination deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB's Circular 04-04. Accordingly, this report is not suitable for any other purpose.

  
DONOHUE, GIRONDA & DORIA  
Certified Public Accountants

  
MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey  
June 14, 2013



**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2012**

Federal Pass-Through Grantor/ Program Title	CFDA Number	STATE OF NJ Grant Number	Grant Period		Grant Award	Funds Rec'd Through 12/31/12	Expended in FY 2012	Loan Receivable Balance 12/31/11	Funds Received/ (Loans Issued) in FY 2012	*** Adjustments in FY 2012	Loan Receivable Balance 12/31/12	Cumulative Expenditures
			From	To								
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2007 Sewer	66.458	4860-558-001	Open		9,113,366	8,157,930	91,369	1,046,805	91,369	-	955,436	7,252,881
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2009 Sewer	66.458	4860-510-009	Open		1,182,912	1,182,912	987,958	987,958	987,958	-	-	1,182,912
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2010 Sewer Supp. A	66.458	*	Open		1,530,896	-	-	1,530,896	-	-	1,530,896	-
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2010 Sewer Supp. B	66.458	*	Open		1,842,860	1,701,753	81,327	222,734	81,327	(141,407)	-	1,783,080
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2012 Sewer Supp. A	66.458	*	Open		1,350,121	-	-	-	(1,350,121)	-	1,350,121	-
Total NJEIT Fund Loans Sewer**							1,160,654	3,788,393	(189,467)	(141,407)	3,836,453	
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2007 Water	66.468	4840-527-024	Open		9,223,341	8,944,306	-	279,035	-	(279,035)	-	7,718,470
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2008 Water	66.468	*	Open		805,524	224,239	224,239	805,524	224,239	(581,285)	-	224,239
United States Environmental Protection Agency: Passed through the New Jersey Environmental Infrastructure Trust-Fund Loan: 2009 Water	66.468	4840-707-XXX	Open		7,782,030	7,340,378	683,258	1,121,257	679,605	-	441,652	11,059,298
Total NJEIT Fund Loans Water**							907,497	2,205,816	903,844	(860,320)	441,652	
Total Expenditures of Federal Awards							\$ 2,068,151	\$ 5,994,209	\$ 714,377	\$ (1,001,727)	\$ 4,278,105	

\* Information not available

\*\* Denotes a major program

\*\*\* Three loans were closed with NJEIT without drawing down the full amount available, the "un-drawn" down amounts are written off against loans payable

4,278,105

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED DECEMBER 31, 2012**

State Grantor / Program Title	STATE OF	Grant Period		Grant Award	Funds Rec'd		Loan Receivable Balance 12/31/11	Funds Received/ (Loans Issued) in FY 2012	Adjustments ***	Loan Receivable Balance 12/31/12	Cumulative Expenditures	
	NJ Grant Number	From	To		Through 12/31/12	Expended in FY 2012						
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust - Trust Program:												
** 2007 Sewer	4860-558-001	Open		3,037,788	2,719,309	30,456	348,935	30,456		318,479	2,417,627	
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust - Trust Program:												
** 2007 Water	4840-527-024	Open		3,074,447	2,981,435		93,012		(93,012)	-	2,569,824	
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust- Trust Program: 2008 Water												
**	*	Open		268,508	74,746	74,746	268,508	74,746	(193,762)	-	74,746	
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust- Trust Program: 2009 Water												
**	4840-707-XXX	Open		2,594,010	2,446,793	227,752	373,753	226,536		147,217	1,629,250	
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust- Trust Program: 2009 Sewer												
**	4860-510-009	Open		1,182,912	1,182,912	987,959	987,959	987,959		-	1,182,912	
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust- Trust Program: 2010 Sewer Supplemental A												
**	*	Open		510,299	-		510,299			510,299		
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust- Trust Program: 2010 Sewer Supplemental B												
**	*	Open		1,842,860	1,701,753	81,327	222,734	81,327	(141,407)	-	1,783,080	
New Jersey Department of Environmental Protection: New Jersey Environmental Infrastructure Trust- Trust Program: 2012 Sewer Supplemental A												
**	*	Open		450,040	-	-	-	(450,040)	-	450,040	-	
Total State Financial Assistance							<u>\$ 1,402,240</u>	<u>\$ 2,805,200</u>	<u>\$ 950,984</u>	<u>\$ (428,181)</u>	<u>\$ 1,426,035</u>	<u>\$ 9,657,439</u>

\* Information not available

\*\* Denotes a major program

\*\*\* Three loans were closed with NJEIT without drawing down the full amount available, the "un-drawn" down amounts are written off against loans payable

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

**DECEMBER 31, 2012 and 2011**

**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. For the year ended December 31, 2012 and 2011 there were no ARRA funds expended or received.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2012**

**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?	_____ Yes	___ X ___ 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?	_____ 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

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2012**

**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?	<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, as amended?	<u>      </u> Yes	<u>  X  </u> No
O) Identification of major programs		
<b>State Grant/Grant Number</b>	<b>Name of State Program</b>	
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, 2012**

**Section II - Financial Statement Findings**

(This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements which require reporting in accordance with Chapter 5.18 of Government Auditing Standards).

**NONE**

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

**YEAR ENDED DECEMBER 31, 2012**

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

(This section identifies audit findings required to be reported by section .510(a) of OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04).

**NONE**

**Section IV - Summary Schedule of Prior Year Audit Findings**

(This section identifies the status of prior year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards and New Jersey OMB's Circular 04-04, as amended).

**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.

**Current year status:** This finding has been resolved.

## **SUPPLEMENTARY INFORMATION**



**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - RESTRICTED AND UNRESTRICTED  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Water Unrestricted Funds	Restricted			Total Water
		Water Revenue Fund	Bond Reserve Fund	Water	
Operating revenues:					
Water-user charges	\$ -	\$ 46,409,504	\$ -	\$ -	\$ 46,409,504
Bulk water	-	9,082,522	-	-	9,082,522
Interest on delinquent payments	-	564,347	-	-	564,347
Connection fees	-	379,099	-	-	379,099
		<u>58,204,703</u>			<u>58,204,703</u>
Operating expenses:					
Cost of providing services	36,230,495	-	-	-	36,230,495
Administration	2,500,000	-	-	-	2,500,000
Leasehold amortization expense	-	5,673,769	-	-	5,673,769
	<u>38,730,495</u>	<u>5,673,769</u>			<u>44,404,264</u>
Operating income (loss):	<u>(38,730,495)</u>	<u>52,530,934</u>			<u>13,800,439</u>
Non-operating revenues (expenses):					
Interest income	14,758	23,459	143,780		181,997
Interest expense	(5,567,896)	-	-		(5,567,896)
Other amortization expense	-	(200,373)	-		(200,373)
	<u>(5,553,138)</u>	<u>(176,914)</u>	<u>143,780</u>		<u>(5,586,272)</u>
Change in net position before transfers	(44,283,633)	52,354,020	143,780		8,214,167
Transfers	47,834,048	(47,690,268)	(143,780)		-
Change in net position	<u>3,550,415</u>	<u>4,663,752</u>			<u>8,214,167</u>
Net Position, December 31, 2011	<u>55,271,965</u>	<u>(42,044,964)</u>			<u>13,227,001</u>
Net Position, December 31, 2012	<u>\$ 58,822,380</u>	<u>\$ (37,381,212)</u>			<u>\$ 21,441,168</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - RESTRICTED AND UNRESTRICTED  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	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	
<b>Operating revenues:</b>						
Sewer-user charges	\$ -	\$ 48,386,418	\$ -	\$ -	\$ -	\$ 48,386,418
Interest on delinquent payments	-	439,182	-	-	-	439,182
Service agreements	-	2,165,706	-	-	-	2,165,706
Connection fees	-	3,824,116	-	-	-	3,824,116
Other revenue	-	12,094	-	-	-	12,094
		<u>54,827,516</u>				<u>54,827,516</u>
<b>Operating expenses:</b>						
Cost of providing services	33,477,872	-	-	-	-	33,477,872
Administrative, executive and professional	3,418,962	-	-	-	-	3,418,962
Depreciation expense	1,164,157	-	-	510,659	5,401,022	7,075,838
	<u>38,060,991</u>			<u>510,659</u>	<u>5,401,022</u>	<u>43,972,672</u>
	<u>(38,060,991)</u>	<u>54,827,516</u>		<u>(510,659)</u>	<u>(5,401,022)</u>	<u>10,854,844</u>
<b>Operating income (loss):</b>						
Non-operating revenues (expenses):						
Interest income	19,801	19,735	23	-	862	40,421
Interest expense	(3,827,096)	-	-	-	-	(3,827,096)
Amortization expense	-	-	-	-	(585,450)	(585,450)
	<u>(3,807,295)</u>	<u>19,735</u>	<u>23</u>		<u>(584,588)</u>	<u>(4,372,125)</u>
Net income (loss) before transfers	(41,868,286)	54,847,251	23	(510,659)	(5,985,610)	6,482,719
Transfers	46,528,894	(54,847,251)	(23)	510,659	7,807,721	-
Change in net position	4,660,608	-	-	-	1,822,111	6,482,719
Net position, December 31, 2011	(4,230,769)	-	250,000	-	34,140,135	30,159,366
Net position, December 31, 2012	<u>\$ 429,839</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 35,962,246</u>	<u>\$ 36,642,085</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, 2012**

	<u>Water Operating Fund</u>
Balance, December 31, 2011	
Cash and cash equivalents	\$ 20,143,833
Increased by receipts:	
Transfer from:	
Water revenue fund	40,062,586
Sewer operating fund	4,256,208
Interest income	14,758
	<u>44,333,552</u>
	<u>64,477,385</u>
Decreased by disbursements:	
Operations	38,102,194
Interest Expense	5,634,519
Bond Principal Paid	10,630,541
Unreimbursed capital expenses-Due from City	1,052,268
	<u>55,419,522</u>
Balance, December 31, 2012	
Cash and cash equivalents	<u>\$ 9,057,863</u>
Current operating and general fund	1,469,040
Noncurrent restricted cash and cash equivalents	7,588,823
	<u>\$ 9,057,863</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, 2012**

	Sewer Operating Fund	Sewer General Fund	Total Sewer
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, December 31, 2011			
Cash and cash equivalents	\$ 6,402,338	\$ 6,120,368	\$ 12,522,706
Increased by receipts:			
Transfer from:			
Sewer revenue fund	54,093,020	-	54,093,020
Interest income	15,333	4,468	19,801
	<u>54,108,353</u>	<u>4,468</u>	<u>54,112,821</u>
	<u>60,510,691</u>	<u>6,124,836</u>	<u>66,635,527</u>
Decreased by disbursements:			
Operations	35,396,319	-	35,396,319
Interest expense paid	3,866,060	-	3,866,060
Bond principal paid	8,163,745	-	8,163,745
Transfer to:			
Water operating fund	4,256,208	-	4,256,208
	<u>51,682,332</u>	<u>-</u>	<u>51,682,332</u>
Balance, December 31, 2012			
Cash and cash equivalents	<u>\$ 8,828,359</u>	<u>\$ 6,124,836</u>	<u>\$ 14,953,195</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, 2012**

	Water Revenue Fund	Water Bond Reserve Fund	Total Water
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, December 31, 2011			
Cash and cash equivalents	\$ 2,985,597	\$ 2,915,989	\$ 5,901,586
Increased by receipts:			
Revenue:			
Interest on investments	23,459	302	23,761
Interest on delinquent payments	564,347	-	564,347
Receipts from customers	46,867,445	-	46,867,445
Bulk water	9,082,522	-	9,082,522
Other revenue	2,148,330	-	2,148,330
NJEIT Drawdown	1,205,126	-	1,205,126
	<u>59,891,229</u>	<u>302</u>	<u>59,891,531</u>
	62,876,826	2,916,291	65,793,117
Decreased by disbursements:			
Purchase leasehold assets	1,379,700	-	1,379,700
Costs of Issuance Paid	2,500	-	2,500
Transfer to:			
Water operating fund	<u>40,062,586</u>	<u>-</u>	<u>40,062,586</u>
	<u>41,444,786</u>	<u>-</u>	<u>41,444,786</u>
Balance, December 31, 2012			
Cash and cash equivalents	<u>\$ 21,432,040</u>	<u>\$ 2,916,291</u>	<u>\$ 24,348,331</u>
Current restricted cash and cash equivalents	\$ 21,432,040	\$ -	\$ 21,432,040
Noncurrent restricted cash and cash equivalents		2,916,291	2,916,291
	<u>\$ 21,432,040</u>	<u>\$ 2,916,291</u>	<u>\$ 24,348,331</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, 2012**

	Sewer Revenue Fund	Sewer Bond Reserve Fund	Sewer Construction Fund	Sewer Renewal and Replacement Fund	Total Sewer
Balance, December 31, 2011	\$ 7,011,725	\$ 1,426,098	\$ 9,784,212	\$ 250,056	\$ 18,472,091
Cash and cash equivalents					
Increased by receipts:					
Revenue:					
Interest on investments	19,592	143	859	26	20,620
Receipts from customers	55,095,602	-	-	-	55,095,602
Other receipts	8,637	-	-	-	8,637
Transfer from:					
Sewer revenue fund	-	-	1,768,940	-	1,768,940
NJFIT loan drawdown	-	-	2,260,395	-	2,260,395
	55,123,831	143	4,030,194	26	59,154,194
	62,135,556	1,426,241	13,814,406	250,082	77,626,285

**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, 2012**

	Sewer Revenue Fund	Sewer Bond Reserve Fund	Sewer Construction Fund	Sewer Renewal and Replacement Fund	Total Sewer
Balance, carried forward	62,135,556	1,426,241	13,814,406	250,082	77,626,285
Decreased by disbursements:					
Costs of issuance paid	-	-	20,989	-	20,989
Fixed asset purchases	-	-	7,418,602	-	7,418,602
Transfer to:					
Sewer construction fund	1,768,940				1,768,940
Sewer operating fund	54,093,020				54,093,020
	<u>55,861,960</u>	<u>-</u>	<u>7,439,591</u>	<u>-</u>	<u>63,301,551</u>
Balance, December 31, 2012	<u>\$ 6,273,596</u>	<u>\$ 1,426,241</u>	<u>\$ 6,374,815</u>	<u>\$ 250,082</u>	<u>\$ 14,324,734</u>
Cash and cash equivalents					
Current restricted cash and cash equivalents	\$ 6,273,596	\$ -	\$ -	\$ -	\$ 6,273,596
Noncurrent restricted cash and cash equivalents	-	1,426,241	6,374,815	250,082	8,051,138
	<u>\$ 6,273,596</u>	<u>\$ 1,426,241</u>	<u>\$ 6,374,815</u>	<u>\$ 250,082</u>	<u>\$ 14,324,734</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

**WATER FUND**

	2012 Budget	2012 Actual	2011 Actual
Revenues			
Revenue anticipated:			
Service Fees:			
User charges and fees	\$ 45,000,000	\$ 46,409,504	\$ 45,403,742
Bulk water	9,800,000	9,082,522	9,563,519
Total Service Fees	54,800,000	55,492,026	54,967,261
Non-operating revenue:			
Interest on investments	50,000	181,997	172,434
Interest on delinquent payments	500,000	564,347	756,118
Total non-operating revenue	550,000	746,344	928,552
Non-budget revenue:			
Connection fees	50,000	379,099	537,437
Other revenue	-	1,769,231	-
Interfund repayment	-	4,256,208	4,812,693
Total non-budget revenue	50,000	6,404,538	5,350,130
Total Revenues	\$ 55,400,000	\$ 62,642,908	\$ 61,245,943



**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

**WATER FUND**

	2012 Budget	2012 Actual	2011 Actual
Administration:			
Water Administration Allocation	\$ 2,500,000	\$ 2,500,000	\$ 2,359,800
Total Administration	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,359,800</u>
Cost of Providing Services:			
Other expenses	2,523,204	1,854,531	1,211,882
Rockaway Valley Sewerage Authority	2,900,000	2,730,857	2,730,703
Property taxes	1,100,000	818,690	1,080,027
United Water maintenance fee	14,750,000	14,284,503	13,738,439
Utilities	900,000	658,055	768,644
	<u>22,173,204</u>	<u>20,346,636</u>	<u>19,529,695</u>
Operations and maintenance reserve	850,000	1,654,552	100,276
Renewal and replacement reserve	1,100,000	1,729,307	108,282
Water franchise payment	<u>12,500,000</u>	<u>12,500,000</u>	<u>12,000,000</u>
Total Cost of Providing Services	36,623,204	36,230,495	31,738,253
Principal payments on debt service in lieu of depreciation	10,598,541	10,566,074	10,391,725
Interest payment on debt service	<u>5,678,255</u>	<u>5,567,896</u>	<u>5,762,038</u>
	<u>\$ 55,400,000</u>	<u>\$ 54,864,465</u>	<u>\$ 50,251,816</u>
Revenues less appropriations - Budget basis	\$ -	\$ 7,778,443	\$ 10,994,127
Adjustments needed to reconcile to net loss on GAAP basis:			
Principal payments on debt		10,566,074	10,391,725
Amortization		(5,874,142)	(5,745,175)
Interfund repayment		<u>(4,256,208)</u>	<u>(4,812,693)</u>
Change in net position		<u>\$ 8,214,167</u>	<u>\$ 10,827,984</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

**SEWER FUND**

	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
<b>REVENUES</b>			
Revenue anticipated:			
Service Fees:			
User charges and fees	\$ 46,000,000	\$ 48,386,418	\$ 45,432,361
Sewer Connection fees	3,000,000	3,824,116	1,477,147
Service agreements	1,900,000	2,165,706	2,371,378
Total Service Fees	<u>50,900,000</u>	<u>54,376,240</u>	<u>49,280,886</u>
Non-operating revenues			
Interest on investments	80,000	40,421	30,890
Interest on delinquent payments	570,000	439,182	649,263
Total non-operating revenues	<u>650,000</u>	<u>479,603</u>	<u>680,153</u>
Non-budget revenue:			
Other revenue	-	12,094	17,789
Total non-budget revenue	<u>-</u>	<u>12,094</u>	<u>17,789</u>
Total Revenues	<u>\$ 51,550,000</u>	<u>\$ 54,867,937</u>	<u>\$ 49,978,828</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

**SEWER FUND**

	2012 Budget	2012 Actual	2011 Actual
Administration:			
Salaries and wages	\$ 1,578,325	\$ 1,769,049	\$ 1,702,866
Fringe benefits:			
Public employees' retirement system	96,443	233,375	234,272
FICA taxes and expenses	67,172	161,597	134,387
Unemployment and disability insurance	6,391	14,553	15,409
Workers' compensation insurance	93,797	239,544	137,731
Hospitalization and related insurance	470,738	1,161,977	1,036,315
Annual OPEB cost- Admin	-	495,902	468,742
Total fringe benefits	<u>734,541</u>	<u>2,306,948</u>	<u>2,026,856</u>
Other expenses:			
Office supplies and expenses	92,088	49,993	57,274
Communications	118,399	98,036	79,960
Trustees' fees and expenses	127,723	104,459	101,392
Education, travel, conferences, public relations and advertising	101,540	55,056	31,225
Audit fee and other accounting services	63,861	68,648	51,485
Legal	351,237	484,652	271,749
Engineering	638,613	552,414	90,898
Computer services	153,267	107,221	68,593
General liability and Auto insurance	638,612	322,486	335,202
Total other expenses	<u>2,285,340</u>	<u>1,842,965</u>	<u>1,087,778</u>
Administration allocated to Water Fund	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(2,359,800)</u>
Total Administration	<u>2,098,206</u>	<u>3,418,962</u>	<u>2,457,700</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

**SEWER FUND**

	2012 Budget	2012 Actual	2011 Actual
Cost of Providing Services:			
Salaries and wages:			
West-side plant	\$ 1,049,260	\$ 1,143,367	\$ 925,988
Plant maintenance and repair	880,163	953,302	1,116,760
Fleet maintenance and repair	139,279	150,030	128,133
Infrastructure maintenance	2,296,291	2,382,071	2,326,669
Total salaries and wages	<u>4,364,993</u>	<u>4,628,770</u>	<u>4,497,550</u>
Fringe benefits:			
Public employees' retirement system	186,428	456,583	399,941
FICA taxes and expenses	132,297	316,153	327,559
Unemployment and disability insurance	14,713	28,473	49,776
Workers' compensation insurance	148,803	468,653	269,481
Hospitalization and related insurance	1,045,908	2,273,333	1,707,903
Annual OPEB cost-COS	-	1,157,105	1,093,731
Total fringe benefits	<u>1,528,149</u>	<u>4,700,300</u>	<u>3,848,391</u>
Other expenses:			
West-side plant:			
Heat, light and power	450,509	309,326	407,569
Grit disposal	225,255	166,777	202,821
NJDEP permit	56,314	99,769	400,614
East-side plant:			
Heat, light and power	703,921	600,421	605,269
Plant maintenance and repair:			
Other expenses	1,272,689	1,600,566	572,339
Staff uniforms	43,202	37,229	19,625
Safety equipment	45,051	57,721	56,448
Fleet maintenance and repair:			
Automotive fuel	225,255	248,356	190,900
Parts	135,153	239,430	126,581
Equipment rental	21,280	46,094	2,241
Maintenance, repairs and vehicle registrations	340,135	87,955	41,131
New trucks	450,509	-	-
Waste-water treatment:			
Passaic Valley Sewerage Commission contract	21,462,004	19,055,730	19,071,527

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

**SEWER FUND**

	2012 Budget	2012 Actual	2011 Actual
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Infrastructure maintenance:			
Other expenses	\$ 563,137	\$ 173,276	\$ 148,224
Video parts and repairs	45,051	16,526	31,423
Earth disposal	22,525	-	-
Interfund repayment	1,126,275	4,256,208	4,812,693
Total other expenses	<u>27,188,265</u>	<u>26,995,384</u>	<u>26,689,405</u>
 Renewal and replacement reserve	 <u>3,900,000</u>	 <u>1,409,626</u>	 <u>153,674</u>
 Total Cost of Providing Services	 <u>36,981,407</u>	 <u>37,734,080</u>	 <u>35,189,020</u>
 Principal payments on debt service in lieu of depreciation	 <u>8,398,745</u>	 <u>8,163,745</u>	 <u>7,661,612</u>
 Interest payments:			
Bond and Loan Interest	4,071,642	3,827,096	3,524,197
Note interest	-	-	151,877
Interest payment on debt service	<u>4,071,642</u>	<u>3,827,096</u>	<u>3,676,074</u>
	<u>\$ 51,550,000</u>	<u>\$ 53,143,883</u>	<u>\$ 48,984,406</u>
 Revenues less appropriations - Budget basis		 \$ 1,724,054	 \$ 994,422
 Adjustments needed to reconcile to net loss on GAAP basis:			
Principal payments on debt		8,163,745	7,661,612
Amortization		(585,450)	(937,226)
Depreciation		(7,075,838)	(6,631,000)
Interfund repayment		<u>4,256,208</u>	<u>4,812,693</u>
 Change in net position		 <u>\$ 6,482,719</u>	 <u>\$ 5,900,501</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
ANALYSIS OF USER CHARGES RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Water Fund</u>	<u>Sewer Fund</u>
Balance, December 31, 2011	\$ 11,371,457	\$ 5,395,254
Increased by:		
User charges and bulk water billed	<u>55,793,576</u>	<u>48,841,015</u>
	67,165,033	54,236,269
Decreased by:		
Collections	<u>56,248,086</u>	<u>48,110,229</u>
Balance, December 31, 2012	10,916,947	6,126,040
Less: Allowance for doubtful accounts	<u>(3,004,830)</u>	<u>(1,109,358)</u>
Net User Fees Receivable	<u><u>\$ 7,912,117</u></u>	<u><u>\$ 5,016,682</u></u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
GENERAL COMMENTS  
DECEMBER 31, 2012**

**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 Utility Truck
- 3 Catch Basin 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 Combined Sewer Regulator Parts and Repair
- 9 8th and 10th Street Sewer Improvements
- 10 Acqueduct Rehabilitation
- 11 Repair and Parts for Waste Water Motors, Pumps and Variable Frequency Drive
- 12 Soil Removal
- 13 Parts and Repair Services for Bar Screens East Side and West Side Plant
- 14 East Side Pump Station Improvements
- 15 Upgrade security systems

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY  
GENERAL COMMENTS  
DECEMBER 31, 2012**

**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, 2012**

**COMMENT 12-01:** There was a \$20,078,510 inter-fund receivable on the books of the Water Fund and a corresponding \$20,078,510 inter-fund payable on the books of the Sewer Fund at December 31, 2012.

**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 \$4,256,208 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			
			<u>WATER FUND</u>				
2012	-	2,500,000	-	20,346,636	5,567,896	3,383,859	12,500,000
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
			<u>SEWER FUND</u>				
2012	2,416,997	1,001,965	9,329,070	26,995,384	3,827,096	1,409,626	-
2011	1,790,020	667,680	8,345,941	26,689,405	3,524,197	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	-
			<u>TOTALS</u>				
2012	2,416,997	3,501,965	9,329,070	47,342,020	9,394,992	4,793,485	12,500,000
2011	1,790,020	3,027,480	8,345,941	46,219,100	9,286,235	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

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 Penalties	Interest Income	Miscellaneous
	<u>WATER FUND</u>						
2012	\$46,409,504	\$ 9,082,522	\$ -	\$ 379,099	\$ 564,347	\$ 181,997	\$ 1,769,231
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
2008	39,981,597	11,322,428	-	491,834	602,826	808,045	67,212
2007	39,909,427	7,835,516	-	1,085,610	860,822	851,465	56,724
2006	38,586,689	8,510,377	-	679,537	856,664	552,827	2,210
2005	33,879,019	7,540,364	-	-	731,721	270,041	435,391
2004	31,391,822	8,505,387	-	-	530,210	579,741	210,727
2003	26,514,106	7,095,546	-	-	524,322	443,171	690,682
	<u>SEWER FUND</u>						
2012	48,386,418	-	2,165,706	3,824,116	439,182	40,421	12,094
2011	45,432,361	-	2,371,378	1,477,147	649,263	30,890	17,789
2010	41,608,654	-	2,302,541	413,012	638,535	43,524	275,819
2009	29,287,678	-	1,798,071	1,833,104	726,696	43,535	245,498
2008	29,622,332	-	1,712,187	2,175,075	434,388	783,505	194,587
2007	28,757,363	-	1,605,518	5,386,475	471,638	1,554,594	110,911
2006	27,674,425	-	1,513,841	12,643,766	594,153	1,007,079	194,631
2005	25,242,794	-	1,501,882	5,848,212	479,753	278,805	159,909
2004	24,410,526	-	1,306,555	1,700,608	420,764	148,446	167,211
2003	26,005,110	-	1,276,513	472,644	620,907	219,267	599,409
	<u>TOTAL</u>						
2012	94,795,922	9,082,522	2,165,706	4,203,215	1,003,529	222,418	1,781,325
2011	90,836,103	9,563,519	2,371,378	2,014,584	1,405,381	203,324	17,789
2010	84,552,304	9,127,213	2,302,541	1,344,765	1,296,445	231,097	275,819
2009	70,083,524	7,876,095	1,798,071	2,248,175	1,338,582	394,438	267,226
2008	69,603,929	11,322,428	1,712,187	2,666,909	1,037,214	1,591,550	261,799
2007	68,666,790	7,835,516	1,605,518	6,472,085	1,332,460	2,406,059	167,635
2006	66,261,114	8,510,377	1,513,841	13,323,303	1,450,817	1,559,906	196,841
2005	59,121,813	7,540,364	1,501,882	5,848,212	1,211,474	548,846	595,300
2004	55,802,348	8,505,387	1,306,555	1,700,608	950,974	728,187	377,938
2003	52,519,216	7,095,546	1,276,513	472,644	1,145,229	662,438	1,290,091

Jersey City Municipal Utilities Authority  
User Rates  
Last Ten Fiscal Years

Water Rate

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<u>Year Ended December 31,</u>	<u>Rate per 100 Cubic Feet</u>
2012	3.71
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

Sewer Rate

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<u>Year Ended December 31,</u>	<u>Rate per 100 Cubic Feet</u>
2012	5.06
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

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		Total Expenditures	Ratio of Debt Service to Expenditures
					Debt Service	Expenditures		
	<u>WATER FUND</u>							
2012	\$ 10,566,074	\$ 5,567,896	\$ 16,133,970				\$ 60,738,607	0.27
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
	<u>SEWER FUND</u>							
2012	8,163,745	6,482,719	14,646,464				63,460,794	0.23
2011	7,661,612	5,900,501	13,562,113				58,777,059	0.23
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
	<u>TOTAL</u>							
2012	18,729,819	12,050,615	30,780,434				124,199,401	0.25
2011	18,053,337	11,662,539	29,715,876				114,774,050	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



Jersey City Municipal Utilities Authority  
Miscellaneous Statistics  
December 31, 2012

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	113
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