

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
AUDITS OF FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
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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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

WILLIAM CHOPEK, JR
COMMISSIONER

June 23, 2011

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, 2010.

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

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

Organization of Report

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

Government Structure and Services

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

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

Internal Accounting Controls

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

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, 2010, the Authority's outstanding debt issues included \$60,818,785 of sewer revenue and refunding bonds, \$32,181,329 of sewer loans and \$22,686,598 of water loans from the State of New Jersey Environmental Infrastructure Trust, \$7,000,000 of sewer project notes, \$70,061,474 of water revenue and refunding bonds and \$44,855,000 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.

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.

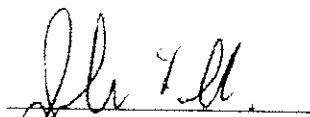
Annual Independent Audit

The Authority's financial statements have been audited by Donohue, Girona & 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, 2010 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, 2010, 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, 2010**

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

Other Officials

Daniel F. Becht, Esq.	Executive Director
John Folk, CPA	Director of Finance
Trenk, DiPasquale et al P.C.	General Counsel
Riker Danzig	Special Counsel
McManimon & Scotland	Bond Counsel
Mayo, Lynch & Associates, Inc.	Consulting Engineers
M&T Bank, NA	Trustee (As of March 1, 2010 Capital One Bank's Trust department was bought by M&T Bank)

FINANCIAL SECTION

DONOHUE, GIRONDA & DORIA

Certified Public Accountants

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

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, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

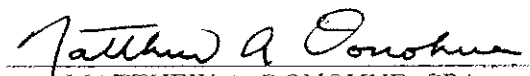
In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 13 and pages 85 through 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

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

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


DONOHUE, GIRONDA & DORIA
Certified Public Accountants


MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey
June 23, 2011

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010, 2009 AND 2008**

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, 2010, 2009 and 2008. Please read it in conjunction with the Authority's financial statements and accompanying notes as well as the transmittal letter at the front of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

THE BASIC FINANCIAL STATEMENTS

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010, 2009 AND 2008**

FINANCIAL HIGHLIGHTS

The following data highlights the Authority's finances for the years ended December 31, 2010, 2009 and 2008.

Increase/ (Decrease)	Water Fund			Sewer Fund			Totals		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Change in net assets	12,743,998	2,708,007	\$ 12,094,988	4,927,492	\$ (9,086,605)	\$ (6,082,862)	\$ 17,671,490	\$ (6,378,598)	\$ 6,012,126
Change in cash, cash equivalents and investments	(7,432,736)	(13,062,083)	8,285,069	4,897,543	(470,086)	(6,985,007)	(2,535,193)	(13,532,169)	1,300,062
Change in net capital assets	-	-	-	3,194,763	8,607,555	(1,897,798)	3,194,763	8,607,555	(1,897,798)
Change in leasehold assets	1,480,641	1,534,564	(771,030)	-	-	-	1,480,641	1,534,564	(771,030)
Change in operating revenues	3,939,900	(2,655,271)	2,627,798	11,347,514	(247,497)	(2,193,361)	15,287,414	(2,902,768)	434,437
Change in operating expenses	(5,888,857)	6,576,144	(7,919,961)	230,421	2,224,225	2,291,571	(5,658,436)	8,800,369	(5,628,390)
Change in operating income	9,828,757	(9,231,415)	10,547,759	11,117,093	(2,471,722)	(4,484,932)	20,945,850	(11,703,137)	6,062,827

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

2009 compared to 2008. Net assets decreased by 6.4 million or 41.5 percent. This was primarily due to the large increase in water operating expenses of almost 9 million, which was due to an increase in the negotiated water franchise payments to the City of Jersey City as well as a significant increase in maintenance projects on the water infrastructure as well as smaller increases in sewer operating expenses. Additionally, operating revenues decreased by almost 3 million driven by a significant decrease in bulk water revenues.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010, 2009 AND 2008**

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table summarizes the assets, liabilities and net assets as of December 31, 2010, 2009 and 2008:

	Water Fund		Sewer Fund		Totals	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 45,620,094	\$ 44,392,618	\$ 25,800,918	\$ 18,047,747	\$ 71,421,012	\$ 62,440,365
Other noncurrent assets	19,808,897	15,863,252	14,124,980	15,619,275	33,933,877	31,482,527
Net capital assets	-	-	121,374,300	118,179,537	121,374,300	118,179,537
Net leasehold interest	94,697,760	93,217,119	-	-	94,697,760	93,217,119
Total assets	160,126,751	153,472,989	161,300,198	151,846,559	321,426,949	305,319,548
Current liabilities	14,077,258	12,479,294	46,595,597	42,916,863	60,672,855	55,396,157
Noncurrent liabilities	143,650,476	151,338,676	90,445,736	89,598,323	234,096,212	240,936,999
Total liabilities	157,727,734	163,817,970	137,041,333	132,515,186	294,769,067	296,333,156
Net assets:						
Invested in capital assets and leasehold interest	-	-	30,860,329	23,287,667	30,860,329	23,287,667
Restricted	(40,128,138)	(45,910,257)	-	-	(40,128,138)	(45,910,257)
Unrestricted	42,527,155	35,565,276	(6,851,464)	(4,206,294)	35,675,691	31,358,982
Total net assets	\$ 2,399,017	\$ (10,344,981)	\$ 24,258,865	\$ 19,331,373	\$ 26,657,882	\$ 8,986,392

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

2009 compared to 2008. The Authority's financial condition has declined significantly, with its current ratio (current assets/current liabilities) decreasing from 1.59 to 1.13. The Sewer fund has worsened from .62 to .42 primarily due to its additional sewer project notes and continued losses, which result in interfund borrowing from the water fund.

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010, 2009 AND 2008**

OPERATING ACTIVITIES

The following table summarizes the revenues, expenses and changes in net assets for the years ended December 31, 2010, 2009 and 2008.

	Water Fund		Sewer Fund		Totals	
	2010	2009	2010	2009	2010	2009
Operating Revenue:						
User charges	\$ 42,943,650	\$ 40,795,846	\$ 41,608,654	\$ 29,287,678	\$ 84,552,304	\$ 70,083,524
Bulk water	9,127,213	7,876,095	-	-	9,127,213	7,876,095
Service agreements	-	-	2,302,541	1,798,071	2,302,541	1,798,071
Connection fees	931,753	415,071	413,012	1,833,104	1,344,765	2,248,175
Interest and other income	657,910	633,614	914,354	972,194	1,572,264	1,605,808
Total Operating Revenue	53,660,526	49,720,626	45,238,561	33,891,047	98,899,087	83,611,673
Operating Expenses:						
Cost of providing services	28,021,580	34,102,701	29,851,366	30,021,318	57,872,946	64,124,019
General and administrative	1,954,133	2,048,499	2,802,768	2,747,014	4,756,901	4,795,513
Amortization expense	4,909,309	4,622,679	-	-	4,909,309	4,622,679
Depreciation expense	-	-	5,835,551	5,490,932	5,835,551	5,490,932
Total Operating Expenses	34,885,022	40,773,879	38,489,685	38,259,264	73,374,707	79,033,143
Operating Income / (Loss)	18,775,504	8,946,747	6,748,876	(4,368,217)	25,524,380	4,578,530
Non-Operating Revenue/(Expense):						
Interest income	187,573	350,903	43,524	43,535	231,097	394,438
Other amortization expense	(189,191)	(189,191)	(583,913)	(575,918)	(773,104)	(765,109)
Interest expense	(6,029,888)	(6,400,452)	(3,884,318)	(4,186,005)	(9,914,206)	(10,586,457)
Capital contribution-Grants	-	-	2,603,323	-	2,603,323	-
Total non-operating revenue/(expense)	(6,031,506)	(6,238,740)	(1,821,384)	(4,718,388)	(7,852,890)	(10,957,128)
Change in Net Assets	\$ 12,743,998	\$ 2,708,007	\$ 4,927,492	\$ (9,086,605)	\$ 17,671,490	\$ (6,378,598)

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010, 2009 AND 2008**

OPERATING ACTIVITIES (Continued)

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

2009 compared to 2008. The Authority's user fees increased by 570 thousand or .8 percent due to the annual 3.75% rate increase automatically enacted each January 1. This rate increase was offset by a moderated usage decline. The Authority's other connection fees decreased by 419 thousand or 15.7 percent due to the slowdown in the construction industry and economy in general. Bulk water sales decreased by 3.4 million or 30.4%, returning to an amount nearly equal to 2007. Authority operating expenses increased by 8.8 million or 12.5 percent, primarily due to a significant increase in water franchise fees and water maintenance projects to the City of Jersey City.

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 2008, 2009 and 2010:

	January 1, 2008	Additions/ Deletions/ Transfers	December 31, 2008	Additions/ Deletions/ Transfers	December 31, 2009	Additions/ Deletions/ Transfers	December 31, 2010
Capital assets:							
Land and land rights	\$ 346,572	\$ -	\$ 346,572	\$ -	\$ 346,572	\$ -	\$ 346,572
Infrastructure and improvements	209,194,016	1,435,131	210,629,147	4,025,467	214,654,614	5,070,458	219,725,072
Equipment, meters and vehicles	21,148,029	1,722,094	22,870,123	1,564,885	24,435,008	2,057,706	26,492,714
	<u>230,688,617</u>	<u>3,157,225</u>	<u>233,845,842</u>	<u>5,590,352</u>	<u>239,436,194</u>	<u>7,128,164</u>	<u>246,564,358</u>
Less: accumulated depreciation:	(120,528,362)	(5,340,731)	(125,869,093)	(5,490,932)	(131,360,025)	(5,835,551)	(137,195,576)
	<u>110,160,255</u>	<u>(2,183,506)</u>	<u>107,976,749</u>	<u>99,420</u>	<u>108,076,169</u>	<u>1,292,613</u>	<u>109,368,782</u>
Add: work in progress (net)	1,309,525	285,708	1,595,233	8,508,135	10,103,368	1,902,150	12,005,518
	<u>\$ 111,469,780</u>	<u>\$ (1,897,798)</u>	<u>\$ 109,571,982</u>	<u>\$ 8,607,555</u>	<u>\$ 118,179,537</u>	<u>\$ 3,194,763</u>	<u>\$ 121,374,300</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010, 2009 AND 2008**

The following table summarizes the changes in leasehold improvements for 2008, 2009 and 2010:

	January 1, 2008	Increase/ (Decrease)	December 31, 2008	Increase/ (Decrease)	December 31, 2009	Increase/ (Decrease)	December 31, 2010
Leasehold interest:							
Leasehold interest	\$ 109,613,303		\$ 109,613,303	\$ -	\$ 109,613,303	\$ -	\$ 109,613,303
Additional franchise fee	42,000,000		42,000,000		42,000,000		42,000,000
Additional water debt issued	16,540,000		16,540,000	-	16,540,000		16,540,000
Leasehold interest capital projects						9,314,968	9,314,968
	168,153,303	-	168,153,303	-	168,153,303	9,314,968	177,468,271
Less: Accumulated Amortization	75,699,718	4,622,679	80,322,397	4,622,679	84,945,076	4,909,309	89,854,385
	92,453,585	(4,622,679)	87,830,906	(4,622,679)	83,208,227	4,405,659	87,613,886
Add: leasehold imp work in progress	-	3,851,649	3,851,649	6,157,243	10,008,892	(2,925,018)	7,083,874
	\$ 92,453,585	\$ (771,030)	\$ 91,682,555	\$ 1,534,564	\$ 93,217,119	\$ 1,480,641	\$ 94,697,760

Capital Debt - The following table summarizes the capital debt as of December 31, 2010, 2009 and 2008:

	2010	2009	2008
Water refunding bonds payable	\$ 70,061,474	\$ 75,173,841	80,096,208
Sewer refunding bonds payable	60,818,785	65,852,010	71,092,124
Sewer capital notes payable	7,000,000	11,200,000	7,000,000
Water NJ infrastructure trust loan	22,686,598	11,914,587	12,518,341
Sewer NJ infrastructure trust loans	32,181,329	26,924,519	27,939,065
Due to City of Jersey City	44,855,000	48,590,000	52,305,000
Total bonds and loans payable	\$ 237,603,186	\$ 239,654,957	\$ 250,950,738

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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

	Water Fund		Sewer Fund		Totals	
	Balance, December 31, 2010	2009	Balance, December 31, 2010	2009	Balance, December 31, 2010	2009
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,763,394	\$ 4,667,339	\$ 14,950,920	\$ 10,654,916	\$ 20,714,314	\$ 15,322,255
Cash and cash equivalents - Restricted	4,242,957	10,491,551	5,869,934	2,944,591	10,112,891	13,436,142
Water-user fees receivable (net of allowance for doubtful accounts of \$3,862,038 and \$2,816,104)	6,342,568	6,226,875	-	-	6,342,568	6,226,875
Sewer-user fees receivable (net of allowance for doubtful accounts of \$1,606,134 and \$955,889)	-	-	4,882,025	3,420,727	4,882,025	3,420,727
Accrued interest receivable	24	32	167	164	191	196
Accounts receivable	-	-	-	9,926	-	9,926
Due from Sewer Fund	29,147,411	22,216,102	-	-	29,147,411	22,216,102
Accounts receivable - MMREF	123,740	790,719	-	-	123,740	790,719
Accounts receivable - North Hudson	-	-	-	454,152	-	454,152
Accounts receivable - North Bergen	-	-	97,872	563,271	97,872	563,271
Total current assets	45,620,094	44,392,618	25,800,918	18,047,747	71,421,012	62,440,365
Noncurrent assets:						
Cash and cash equivalents - Restricted	2,915,698	5,195,895	3,659,752	5,983,556	6,575,450	11,179,451
Investments - Restricted	7,707,000	7,707,000	-	-	7,707,000	7,707,000
Accrued interest receivable - Restricted	25	305	51	52	76	357
Due from NJ Infrastructure Trust Fund - Restricted	7,408,053	1,060,372	8,456,966	7,328,134	15,865,019	8,388,506
Costs of issuance	1,377,995	1,476,017	1,821,055	2,103,388	3,199,050	3,579,405
Unamortized bond discount	400,126	423,663	186,881	203,870	587,007	627,533
Security deposit	-	-	275	275	275	275
Other noncurrent assets	19,808,897	15,863,252	14,124,980	15,619,275	33,933,877	31,482,527
Capital assets:						
Land	-	-	346,572	346,572	346,572	346,572
Work in progress	-	-	12,005,518	10,103,368	12,005,518	10,103,368
Improvements and equipment, net	-	-	109,022,210	107,729,597	109,022,210	107,729,597
Net capital assets	-	-	121,374,300	118,179,537	121,374,300	118,179,537
Leasehold improvements:						
Leasehold capital improvements	9,028,338	-	-	-	9,028,338	-
Leasehold work in progress	7,083,874	10,008,892	-	-	7,083,874	10,008,892
Net leasehold interest	78,585,548	83,208,227	-	-	78,585,548	83,208,227
Net leasehold improvements	94,697,760	93,217,119	-	-	94,697,760	93,217,119
Total noncurrent assets	114,506,657	109,080,371	135,499,280	133,798,812	250,005,937	242,879,183
Total Assets	\$ 160,126,751	\$ 153,472,989	\$ 161,300,198	\$ 151,846,559	\$ 321,426,949	\$ 305,319,548

See notes to the financial statements.

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

	Water Fund		Sewer Fund		Totals	
	Balance, December 31, 2010	2009	Balance, December 31, 2010	2009	Balance, December 31, 2010	2009
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,511,584	\$ 498,467	\$ 621,575	\$ 315,325	\$ 2,133,159	\$ 813,792
Payroll deductions payable	-	-	40,959	37,942	40,959	37,942
Customer deposits	976,431	1,215,878	590,412	418,830	1,566,843	1,634,708
Accrued interest payable	1,197,517	1,242,588	1,533,628	1,606,148	2,731,145	2,848,736
Bonds and loans payable	6,571,726	5,787,361	7,661,612	7,122,516	14,233,338	12,909,877
Due to Water Fund	-	-	29,147,411	22,216,102	29,147,411	22,216,102
Due to City of Jersey City	3,820,000	3,735,000	-	-	3,820,000	3,735,000
Sewer project notes payable	-	-	7,000,000	11,200,000	7,000,000	11,200,000
Total current liabilities	14,077,258	12,479,294	46,595,597	42,916,863	60,672,855	55,396,157
Noncurrent liabilities:						
Bonds payable:						
Premium on sewer bonds	-	-	978,759	968,083	978,759	968,083
Sewer refunding bonds payable	-	-	55,088,785	60,417,010	55,088,785	60,417,010
Deferred revenue	2,439,130	2,582,609	-	-	2,439,130	2,582,609
Reserve for future water franchise fee	-	8,600,000	-	-	-	8,600,000
Water revenue bonds payable	64,651,474	69,993,841	-	-	64,651,474	69,993,841
Net OPEB obligation	-	-	4,128,475	2,976,227	4,128,475	2,976,227
Infrastructure trust loan payable	21,524,872	11,307,226	30,249,717	25,237,003	51,774,589	36,544,229
Due to City of Jersey City	55,035,000	58,855,000	-	-	55,035,000	58,855,000
Total noncurrent liabilities	143,650,476	151,338,676	90,445,736	89,598,323	234,096,212	240,936,999
Total liabilities	157,727,734	163,817,970	137,041,333	132,515,186	294,769,067	296,333,156
Net assets:						
Invested in capital assets, net of related debt	-	-	30,860,329	23,287,667	30,860,329	23,287,667
Invested in leasehold interest, net of related debt	(40,128,138)	(45,910,257)	-	-	(40,128,138)	(45,910,257)
Restricted	-	-	250,000	250,000	250,000	250,000
Unrestricted	42,527,155	35,565,276	(6,851,464)	(4,206,294)	35,675,691	31,358,982
Total net assets	2,399,017	(10,344,981)	24,258,865	19,331,373	26,657,882	8,986,392
Total liabilities and net assets	\$ 160,126,751	\$ 153,472,989	\$ 161,300,198	\$ 151,846,559	\$ 321,426,949	\$ 305,319,548

See notes to the financial statements.

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

	Water Fund		Sewer Fund		Totals	
	Year Ended December 31, 2010	2009	Year Ended December 31, 2010	2009	Year Ended December 31, 2010	2009
Operating revenues:						
User charges	\$ 42,943,650	\$ 40,795,846	\$ 41,608,654	\$ 29,287,678	\$ 84,552,304	\$ 70,083,524
Bulk water	9,127,213	7,876,095	-	-	9,127,213	7,876,095
Interest on delinquent payments	657,910	611,886	638,535	726,696	1,296,445	1,338,582
Service agreements	-	-	2,302,541	1,798,071	2,302,541	1,798,071
Connection Fees	931,753	415,071	413,012	1,833,104	1,344,765	2,248,175
Other revenue	-	21,728	275,819	245,498	275,819	267,226
Total operating revenues	<u>53,660,526</u>	<u>49,720,626</u>	<u>45,238,561</u>	<u>33,891,047</u>	<u>98,899,087</u>	<u>83,611,673</u>
Operating expenses:						
Cost of providing services	28,021,580	34,102,701	29,851,366	30,021,318	57,872,946	64,124,019
Administrative, executive and professional	1,954,133	2,048,499	2,802,768	2,747,014	4,756,901	4,795,513
Depreciation expense	-	-	5,835,551	5,490,932	5,835,551	5,490,932
Leasehold amortization expense	4,909,309	4,622,679	-	-	4,909,309	4,622,679
Total operating expenses	<u>34,885,022</u>	<u>40,773,879</u>	<u>38,489,685</u>	<u>38,259,264</u>	<u>73,374,707</u>	<u>79,033,143</u>
Operating income (loss):	<u>18,775,504</u>	<u>8,946,747</u>	<u>6,748,876</u>	<u>(4,368,217)</u>	<u>25,524,380</u>	<u>4,578,530</u>
Nonoperating revenues (expenses):						
Interest income	187,573	350,903	43,524	43,535	231,097	394,438
Interest expense	(6,029,888)	(6,400,452)	(3,884,318)	(4,186,005)	(9,914,206)	(10,586,457)
Other amortization expense	(189,191)	(189,191)	(583,913)	(575,918)	(773,104)	(765,109)
Total nonoperating revenues (expenses)	<u>(6,031,506)</u>	<u>(6,238,740)</u>	<u>(4,424,707)</u>	<u>(4,718,388)</u>	<u>(10,456,213)</u>	<u>(10,957,128)</u>
Income (loss) before contributions	12,743,998	2,708,007	2,324,169	(9,086,605)	15,068,167	(6,378,598)
Capital contributions:						
Grant revenue	-	-	2,603,323	-	2,603,323	-
Change in Net Assets	12,743,998	2,708,007	4,927,492	(9,086,605)	17,671,490	(6,378,598)
Net Assets, beginning of year	(10,344,981)	(13,052,988)	19,331,373	28,417,978	8,986,392	15,364,990
Net Assets, end of year	<u>\$ 2,399,017</u>	<u>\$ (10,344,981)</u>	<u>\$ 24,258,865</u>	<u>\$ 19,331,373</u>	<u>\$ 26,657,882</u>	<u>\$ 8,986,392</u>

See notes to the financial statements.

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

	Water Fund		Sewer Fund		Totals	
	Year Ended December 31, 2010	2009	Year Ended December 31, 2010	2009	Year Ended December 31, 2010	2009
Cash Flows from Operating Activities:						
Receipts from customers	\$ 52,373,633	\$ 49,151,899	\$ 44,127,177	\$ 32,807,248	\$ 66,500,810	\$ 81,959,147
Other receipts	931,753	436,799	285,745	252,463	1,217,498	689,262
Payments to employees	(103,325)	(216,865)	(6,029,198)	(5,958,305)	(6,132,523)	(6,175,170)
Payments to vendors	(21,459,271)	(23,121,341)	(25,163,420)	(26,314,777)	(46,622,691)	(49,436,118)
Other payments	(16,000,000)	(13,000,000)	-	-	(16,000,000)	(13,000,000)
Net cash provided by operating activities	15,742,790	13,250,492	13,220,304	786,629	28,963,094	14,037,121
Cash Flows From Noncapital Financing Activities:						
Transfers (to) From Other Fund	(6,931,309)	(10,933,023)	6,931,309	10,933,023	-	-
Unreimbursed expenses - Due from North Bergen	-	-	521,224	(220,199)	521,224	(220,199)
Net cash provided (used) in noncapital financing activity	(6,931,309)	(10,933,023)	7,452,533	10,712,824	521,224	(220,199)
Cash Flows From Capital and Related Financing Activities:						
Leasehold Financing Due City of Jersey City	(3,735,000)	(3,715,000)	-	-	(3,735,000)	(3,715,000)
Unreimbursed capital expenses - Due from City of Jersey City	(1,323,882)	(2,626,620)	-	-	(1,323,882)	(2,626,620)
Reimburse capital expenses - Due from City of Jersey City	1,933,222	2,034,431	-	-	1,933,222	2,034,431
Principal payments on Capital Debt	(5,787,361)	(5,593,754)	(7,122,516)	(6,656,583)	(12,909,877)	(12,250,337)
Interest paid on Capital Debt	(6,074,959)	(6,466,340)	(3,956,838)	(4,324,960)	(10,031,797)	(10,791,300)
NJEIT loan drawdown	5,118,883	6,824,740	5,873,383	8,660,046	10,992,266	15,484,786
2009 Project Note (retirement) Issuance	-	-	(11,200,000)	4,200,000	(7,000,000)	4,200,000
2010 Project Note Issuance	-	-	7,000,000	-	7,000,000	-
Purchase of leasehold assets/capital assets	(6,419,503)	(6,138,113)	(9,016,168)	(13,981,065)	(15,435,671)	(20,119,178)
Contributed capital grants	-	-	2,603,323	-	2,603,323	-
Net cash (used) by capital and related financing activity	(16,288,600)	(15,680,656)	(15,818,816)	(12,102,562)	(32,107,416)	(27,783,218)
Cash Flows From Investing Activities:						
Proceeds from maturing CD's	-	110,801	-	110,021	-	220,822
Receipt of interest income	44,383	301,104	43,522	133,023	87,905	434,127
Net cash provided by investing activities	44,383	411,905	43,522	243,044	87,905	654,949
Increase (decrease) in cash and cash equivalents	(7,432,736)	(12,951,282)	4,897,543	(360,065)	(2,535,193)	(13,311,347)
Cash and cash equivalents at beginning of year	20,354,785	33,306,067	19,583,063	19,943,128	39,937,848	53,249,195
Cash and cash equivalents at end of year	\$ 12,922,049	\$ 20,354,785	\$ 24,480,606	\$ 19,583,063	\$ 37,402,655	\$ 39,937,848
Current cash and cash equivalents at end of year	5,763,394	4,667,339	14,950,920	10,654,916	20,714,314	15,322,255
Current restricted cash and cash equivalents at end of year	4,242,957	10,491,551	5,869,934	2,944,591	10,112,891	13,436,142
Noncurrent restricted cash and cash equivalents at end of year	2,915,698	5,195,895	3,659,752	5,983,556	6,575,450	11,179,451
	\$ 12,922,049	\$ 20,354,785	\$ 24,480,606	\$ 19,583,063	\$ 37,402,655	\$ 39,937,848
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income (loss):	\$ 18,775,504	\$ 8,946,747	\$ 6,748,876	\$ (4,368,217)	\$ 25,524,380	\$ 4,578,530
Adjustments to reconcile operating income to net cash provided by operating activities:						
Amortization expense	4,909,309	4,622,679	-	-	4,909,309	4,622,679
Depreciation expense	-	-	5,835,551	5,490,932	5,835,551	5,490,932
Decrease in accounts receivable	-	-	9,926	6,965	9,926	6,965
(Increase) in user fees receivable	(115,693)	(1,347,806)	(1,461,298)	(802,979)	(1,576,991)	(2,150,785)
(Decrease) increase in customer deposits	(239,447)	1,215,878	171,582	418,830	(67,865)	1,634,708
Decrease (increase) in due from North Hudson Sewerage Authority	-	-	454,152	(454,152)	454,152	(454,152)
Increase (decrease) in accounts payable and payroll deductions	1,013,117	(187,006)	309,267	(564,284)	1,322,384	(751,290)
Increase in net OPEB obligation	-	-	1,152,248	1,059,534	1,152,248	1,059,534
(Decrease) in reserve for future water franchise fee	(8,600,000)	-	-	-	(8,600,000)	-
Net Cash Provided by Operating Activities	\$ 15,742,790	\$ 13,250,492	\$ 13,220,304	\$ 786,629	\$ 28,963,094	\$ 14,037,121

See notes to the financial statements

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

DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

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

B. Measurement Focus/Basis of Accounting

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

C. Operating Revenues and Expenses

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

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

DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Authorizing Legislation

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

E. Authority Description

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

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

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

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

DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Authority Description (Continued)

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

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

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

F. Bond Resolutions

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

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

DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Bond Resolutions (Continued)

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

G. Capital Assets

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

H. Cash and Investments

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

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

I. Inventory

Purchases of materials and supplies are expensed when purchased. The Authority does not maintain an inventory of these purchases. The balance on hand of these items at December 31, 2010 and 2009 was not material.

J. Water and Sewer User Fees

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

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

DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Debt Issuance Costs

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

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

M. Scope of Audit

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

N. Budgets and Budgetary Accounting

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

O. Leasehold Interest

Leasehold interest consists of the total principal balance outstanding at February 1, 1998 on City of Jersey City prior water bonds; bonds and notes issued subsequent to February 1, 1998 by the City of Jersey City to fund water system improvements; the up-front franchise fee paid to the City of Jersey City in 1998; and the additional franchise fees paid to the City in 2003 and 2004 and due to the City as of December 31, 2010 (see Note 6.) The leasehold interest is being amortized on a straight-line basis over the life of the Amended Franchise Agreement. The varying annual franchise fee payments to the City of Jersey City for the rights to the Water Revenues are charged to expense in the year accrued.

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

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

DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Leasehold Interest (Continued)

improvements.

P. Advertising Costs

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

Q. Reclassifications

Certain amounts in the 2009 basic financial statements have been reclassified in order to conform with the 2010 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)
Sewer Renewal and Replacement Fund
Sewer General Fund
 (Surplus Fund)
Sewer Rebate Fund
Sewer Construction Fund

Water Fund

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

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

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

DECEMBER 31, 2010 AND 2009

2. RESTRICTED ACCOUNTS (Continued)

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

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

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

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

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

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

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

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

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

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

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

DECEMBER 31, 2010 AND 2009

2. RESTRICTED ACCOUNTS (Continued)

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

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

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

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

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

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

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

DECEMBER 31, 2010 AND 2009

2. RESTRICTED ACCOUNTS (Continued)

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

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

Sewer Surplus Fund - Renewal and Replacement Account

	December 31, 2010	December 31, 2009
Cash and Cash Equivalents	\$ 250,030	\$ 250,005
Renewal and Replacement Requirement	250,000	250,000
Excess	\$ 30	\$ 5

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

Water Bond Reserve Fund

	December 31, 2010	December 31, 2009
Investments, Cash and Cash Equivalents	\$ 10,622,698	\$ 12,902,895
Water Bond Reserve Requirement	9,879,282	9,879,282
Excess	\$ 743,416	\$ 3,023,613

Sewer Bond Reserve Fund

	December 31, 2010	December 31, 2009
Investments, Cash and Cash Equivalents	\$ 1,425,956	\$ 1,425,813
Sewer Bond Reserve Requirement	1,265,680	1,265,680
Excess	\$ 160,276	\$ 160,133

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, 2010 and 2009.

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

DECEMBER 31, 2010 AND 2009

2. RESTRICTED ACCOUNTS (Continued)

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

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

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

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

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

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

DECEMBER 31, 2010 AND 2009

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, 2010 and 2009, none of the Authority’s bank balances of \$45,833,926 and \$42,858,764 was exposed to custodial credit risk or foreign currency risk.

As of December 31, 2010 and 2009, the Authority’s deposits are summarized as follows:

	2010	2009
Insured - FDIC	\$ 500,000	\$ 500,000
Insured - GUDPA	45,333,176	42,358,014
Petty cash	750	750
	\$45,833,926	\$42,858,764

During 2010 and 2009, the Authority had a compensating balance agreement with M&T Bank (Merged with Capital One during 2010) in the amount of \$200,000.

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

DECEMBER 31, 2010 AND 2009

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

New Jersey Statutes permit the following investments for local funds:

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

During the years ended December 31, 2010 and 2009, the Authority invested primarily in money market funds, a US Treasury Bill and FHLMC note. The FHLMC note had a A-1+ Standard and Poors' short-term bond rating, and a P-1+ Moody's short-term bond rating. US Government Bonds are not rated by any rating agency.

As of December 31, 2010 and 2009, the Authority had the following investments:

	<u>Maturities</u>	<u>Bond Rating</u>	<u>2010</u>	<u>2009</u>
U.S. T-Bill	6/2/2011	N/R	7,707,000	-
Fed Home Loan Bank	5/14/2010	A-1+/P-1	-	7,707,000
			<u>\$ 7,707,000</u>	<u>\$ 7,707,000</u>

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

DECEMBER 31, 2010 AND 2009

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2010 and 2009 the Authority also held \$19,470,489 and \$22,698,475 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, 2010 and 2009, 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, 2010 and 2009 the Authority's investments, other than deposits insured by FDIC and GUDPA, was limited to a short-term one year FHLMC 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, 2010 and 2009, the Authority held approximately 17% and 16% of its invest-able assets in one US Treasury Note and one FHLMC Note, respectively.

4. RETIREMENT PLAN

The Authority contributes to the New Jersey Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit plan, administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The PERS was established in January 1955 under provisions of N.J.S.A. 43:15A and provides retirement, death, disability and medical benefits to certain qualifying plan members and beneficiaries. Membership is mandatory to substantially all full time employees and vesting occurs after 8 to 10 years of service. Employees who retire at or after age 60 are entitled to a retirement benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years compensation for each year of membership during years of credible service.

According to state law, all obligations of the PERS will be assumed by the State of New Jersey should the PERS be terminated. The State of New Jersey issues publicly available financial reports, which include the financial statements and required supplementary information of the PERS. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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

DECEMBER 31, 2010 AND 2009

4. RETIREMENT PLAN (Continued)

The contribution policy is set by laws of the State of New Jersey. Contributions made by employees for the years ended December 31, 2010, 2009 and 2008 were 5.5% of their base wages. Employers are required to contribute at an actuarially determined rate. The Authority and employees' contributions for the past three years were as follows:

Year Ended	Authority Contribution	Authority Contribution as a percentage of covered payroll	Employee Contributions
2010	\$ 547,864	9.09%	\$ 331,606
2009	\$ 274,089	4.40%	\$ 326,994
2008	\$ 362,896	6.20%	\$ 307,067

For 2010, 2009 and 2008, \$30,140, \$30,049 and \$29,963 respectively, was for the Early Retirement Incentive and \$-0-, \$-0- and \$166,418, respectively, was funded by the Chapter 19, P.L. 2009 Deferral.

5. CAPITAL ASSETS

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

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

DECEMBER 31, 2010 AND 2009

5. CAPITAL ASSETS (Continued)

B. Capital assets include:

	December 31, 2009	Additions/ Deletions/ Transfers	December 31, 2010
Capital assets:			
Land and land rights	\$ 346,572	\$ -	\$ 346,572
Infrastructure and improvements	214,654,614	5,070,458	219,725,072
Equipment, meters and vehicles	<u>24,435,008</u>	<u>2,057,706</u>	<u>26,492,714</u>
	239,436,194	7,128,164	246,564,358
Less: accumulated depreciation:	<u>(131,360,025)</u>	<u>(5,835,551)</u>	<u>(137,195,576)</u>
	108,076,169	1,292,613	109,368,782
Add: work in progress (net)	<u>10,103,368</u>	<u>1,902,150</u>	<u>12,005,518</u>
	<u>\$ 118,179,537</u>	<u>\$ 3,194,763</u>	<u>\$ 121,374,300</u>

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

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

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

DECEMBER 31, 2010 AND 2009

6. LEASEHOLD INTEREST AND DUE TO CITY OF JERSEY CITY

The Authority has acquired a Leasehold Interest in the water system of the City, pursuant to the 1998 original franchise agreement and the 2003 amended franchise agreement. The Leasehold Interest is being amortized on a straight-line basis, over a 25 year period. Beginning in 2008, the Authority began funding significant water infrastructure projects and recognizes leasehold work in progress on the Statement of Net Assets. When completed and placed in service, these projects are recognized as leasehold capital projects. The projects are amortized over the remaining years of the lease with the City. The value of the Leasehold Interest at December 31, 2010 and 2009 net of accumulated amortization is as follows:

	December 31, 2009	Increase/ (Decrease)	December 31, 2010
Leasehold interest:			
Leasehold interest	\$ 109,613,303	\$ -	\$ 109,613,303
Additional franchise fee	42,000,000		42,000,000
Additional water debt issued	16,540,000		16,540,000
Leasehold interest capital projects	-	9,314,968	9,314,968
	168,153,303	9,314,968	177,468,271
Less: Accumulated Amortization	84,945,076	4,909,309	89,854,385
	83,208,227	4,405,659	87,613,886
Add: leasehold improvements work in progress	10,008,892	(2,925,018)	7,083,874
	\$ 93,217,119	\$ 1,480,641	\$ 94,697,760

As of December 31, 2010 and 2009, the Authority has paid the City \$109,298,303 and \$105,563,303 respectively, and has a balance due to the City of \$58,855,000 and \$62,590,000 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, 2010. 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, 2010 AND 2009

7. LONG-TERM OBLIGATIONS

A. The Sewer Revenue Refunding Bonds, Series 1993

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

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

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2009	2010	December 31 2010
Series 1993 - Serial Bonds	10/13/93	\$ 23,810,000				\$ 2,585,000	\$ 2,585,000	\$
Series 1993 - "A" Term Bonds	10/13/93	11,705,000	6.25	1/1/14	11,705,000	11,705,000		11,705,000
						<u>\$ 14,290,000</u>	<u>\$ 2,585,000</u>	<u>\$ 11,705,000</u>
Recapitulation of balance:						\$ 14,290,000		\$ 11,705,000
Less: Unamortized Deferred Charge on Refunding (Net)						(1,270,794)		(953,090)
						<u>\$ 13,019,206</u>		<u>\$ 10,751,900</u>
Current portion of bonds payable						\$ 2,585,000		\$ 2,745,000
Long-term portion of bonds payable						10,434,206		8,006,900
						<u>\$ 13,019,206</u>		<u>\$ 10,751,900</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

B. Sewer Revenue Refunding Bonds, Series 1998

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

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

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2009	2010	December 31, 2010
Series 1998 -								
Serial Bonds	10/1/98	\$ 23,800,000	5.25	12/1/11	1,480,000			
			5.25	12/1/12	1,560,000			
			5.25	12/1/13	1,645,000			
			5.25	12/1/14	1,725,000	\$ 7,820,000	\$ 1,410,000	\$ 6,410,000
Recapitulation of balance:						\$ 7,820,000		\$ 6,410,000
Less: Unamortized Deferred Charge on Refunding (Net)						(313,479)		(250,783)
						<u>\$ 7,506,521</u>		<u>\$ 6,159,217</u>
Current portion of bonds payable						\$ 1,410,000		\$ 1,480,000
Long-term portion of bonds payable						<u>6,096,521</u>		<u>4,679,217</u>
						<u>\$ 7,506,521</u>		<u>\$ 6,159,217</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

C. Sewer Revenue Bonds, Series 2001A

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

Description	Date	Amount	Rate	Date	Amount	December 31, 2009	Paid in 2010	December 31, 2010
Series 2001A -								
Revenue Bonds	7/15/2001	\$ 11,100,000	5.20	7/15/11	545,000			
			5.20	7/15/12	575,000			
			5.20	7/15/13	605,000			
			5.20	7/15/14	635,000			
			5.20	7/15/15	670,000			
			5.20	7/15/16	705,000			
			5.20	7/15/17	740,000			
			5.20	7/15/18	780,000			
			5.20	7/15/19	820,000			
			5.20	7/15/20	865,000			
			5.217	7/15/21	605,000			
						<u>\$ 8,070,000</u>	<u>\$ 525,000</u>	<u>\$ 7,545,000</u>
Current portion of bonds payable						\$ 525,000		\$ 545,000
Long-term portion of bonds payable						<u>7,545,000</u>		<u>7,000,000</u>
						<u>\$ 8,070,000</u>		<u>\$ 7,545,000</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

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

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

D. Water Revenue Bonds, Series 2003 A and B

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

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

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

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2009		December 31, 2010
Series 2003 - Serial Bonds	5/16/03	\$ 43,155,000	4.400	5/15/11	4,325,000			
			4.550	5/15/12	4,515,000			
			4.760	5/15/13	4,725,000			
			4.810	5/15/14	4,950,000			
			4.910	5/15/15	5,185,000	\$ 27,850,000	\$ 4,150,000	\$ 23,700,000
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>\$ 69,360,000</u>	<u>\$ 4,150,000</u>	<u>\$ 65,210,000</u>
Recapitulation of balance:						\$ 69,360,000		\$ 65,210,000
Less: Deferred charge on refunding, net						(1,328,042)		(1,254,262)
						<u>\$ 68,031,958</u>		<u>\$ 63,955,738</u>
Current portion of bonds payable						\$ 4,150,000		\$ 4,325,000
Long-term portion of bonds payable						63,881,958		59,630,738
						<u>\$ 68,031,958</u>		<u>\$ 63,955,738</u>

E. Water Revenue Refunding Bonds Series 2005 A

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

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

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

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

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2009		December 31, 2010
Series 2005 -								
Serial Bonds	12/12/05	\$ 9,015,000	5.600	11/15/11	1,085,000			
			5.600	11/15/12	1,150,000			
			5.600	11/15/13	1,210,000			
			5.600	11/15/14	1,280,000			
			4.910	11/15/15	1,350,000	\$ 7,105,000	\$ 1,030,000	\$ 6,075,000
Recapitulation of balance:						\$ 7,105,000		\$ 6,075,000
Plus: Unamortized gain on refunding, net						36,883		30,736
						<u>\$ 7,141,883</u>		<u>\$ 6,105,736</u>
Current portion of bonds payable						\$ 1,030,000		\$ 1,085,000
Long-term bonds payable						<u>6,111,883</u>		<u>5,020,736</u>
						<u>\$ 7,141,883</u>		<u>\$ 6,105,736</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

F. Sewer Revenue Bonds Series 2005 B

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

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

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2009		December 31, 2010
Series 2005 -								
Serial Bonds	12/12/05	\$ 7,985,000	5.600	11/15/11	960,000			
			5.600	11/15/12	1,015,000			
			5.600	11/15/13	1,075,000			
			5.600	11/15/14	1,135,000			
			4.910	11/15/15	1,195,000	\$ 6,295,000	\$ 915,000	\$ 5,380,000
Recapitulation of balance:						\$ 6,295,000		\$ 5,380,000
Less: Deferred charge on refunding, net						(80,656)		(67,213)
						\$ 6,214,344		\$ 5,312,787
Current portion of bonds payable						\$ 915,000		\$ 960,000
Long-term bonds payable						5,299,344		4,352,787
						\$ 6,214,344		\$ 5,312,787

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

G. Sewer Revenue Refunding Bonds Series 2007 A

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

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

Description	Original		Maturities			Balance	Paid in	Balance
	Date	Amount	Rate	Date	Amount	December 31, 2009	2010	December 31, 2010
Series 2007A - Revenue Refunding Bonds	10/31/2007	\$ 31,370,000	3.50	1/1/14	350,000			
			3.50	1/1/15	5,655,000			
			4.00	1/1/16	5,865,000			
			4.00	1/1/17	2,180,000			
			5.00	1/1/17	3,940,000			
			5.00	1/1/18	5,935,000			
			4.25	1/1/18	480,000			
			5.25	1/1/19	2,500,000			
			4.00	1/1/19	4,215,000			
						<u>\$ 31,120,000</u>	<u>\$ -</u>	<u>\$ 31,120,000</u>
Recapitulation of balance:						\$ 31,120,000		\$ 31,120,000
Less: Deferred charge on refunding, net						(78,061)		(70,123)
Long-term bonds payable						<u>\$ 31,041,939</u>		<u>\$ 31,049,877</u>

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

DECEMBER 31, 2010 AND 2009

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, 2009	(Paid) in 2010	Balance December 31, 2010
	Date	Amount	Rate	Date	Amount			
2003 Water Qualified Bonds	9/1/03	8,000,000	5.00	9/1/16 9/1/28	205,000 1,630,000	\$ 1,835,000	\$ -	\$ 1,835,000
2003 Water Qualified Bonds	3/1/03	5,000,000	Various	3/1/17 3/1/18-19 3/1/20-24	225,000 300,000 350,000	2,575,000		2,575,000
2004 Water Refunding Series	10/21/04	30,175,000	Various	9/1/11 9/1/12 9/1/13 9/1/14 9/1/15 9/1/16 9/1/17 9/1/18 9/1/19 9/1/20 9/1/21	1,965,000 1,930,000 1,900,000 1,875,000 1,855,000 2,060,000 2,065,000 2,175,000 945,000 1,035,000 1,020,000	20,715,000	(1,890,000)	18,825,000
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
					sub totals	26,780,000	(1,890,000)	24,890,000

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

Description	Original		Maturities			Balance December 31, 2009	(Paid) in 2010	Balance December 31, 2010
	Date	Amount	Rate	Date	Amount			
2006 Qualified Water Refunding Bonds Series D	03/22/06	6,600,000	4.00	9/1/16	80,000			
			4.00	9/1/17	990,000			
			4.00	9/1/18	1,030,000			
			4.00	9/1/19	1,075,000			
			4.00	9/1/20	1,115,000			
			4.125	9/1/21	1,160,000			
			4.125	9/1/22	1,210,000	6,660,000	-	6,660,000
2006 Qualified Water Series B	10/24/2006	5,000,000	4.125	8/1/11	290,000			
			4.125	8/1/12	305,000			
			4.125	8/1/13	315,000			
			4.250	8/1/14	330,000			
			4.250	8/1/15	340,000			
			4.250	8/1/16	355,000			
			4.250	8/1/17	370,000			
			4.250	8/1/18	385,000			
			4.250	8/1/19	400,000			
			4.250	8/1/20	415,000			
			4.250	8/1/21	435,000	4,220,000	(280,000)	3,940,000
					sub totals	10,880,000	(280,000)	10,600,000

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

Description	Original		Maturities			Balance December 31, 2009	(Paid) in 2010	Balance December 31, 2010
	Date	Amount	Rate	Date	Amount			
2007 Qualified Water Series B	4/25/2007	10,930,000	4.300	9/1/11	1,565,000			
			4.000	9/1/12	1,530,000			
			4.000	9/1/13	1,485,000			
			4.000	9/1/14	755,000			
			4.000	9/1/15	20,000			
			4.000	9/1/16	20,000			
			4.000	9/1/17	235,000			
			4.000	9/1/18	240,000			
			4.000	9/1/19	250,000			
			4.000	9/1/20	260,000			
			4.125	9/1/21	265,000			
			4.125	9/1/22	280,000			
			4.250	9/1/23	290,000			
			4.375	9/1/24-28	10,000			
			4.375	9/1/29	390,000			
			4.375	9/1/30	405,000			
			4.375	9/1/31	425,000			
			4.375	9/1/32	440,000			
			4.375	9/1/33	460,000			
						10,930,000	(1,565,000)	9,365,000
Total						<u>\$ 48,590,000</u>	<u>\$ (3,735,000)</u>	<u>\$ 44,855,000</u>
Current Portion of Due to City of Jersey City						\$ 3,735,000		\$ 3,820,000
Long Term Portion of Due to City of Jersey City						44,855,000		41,035,000
						<u>\$ 48,590,000</u>		<u>\$ 44,855,000</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

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

The Authority's Sewer Division received a \$1,980,000 Trust Loan and a \$1,893,593 Fund Loan from the NJEIT during 1999. The Trust Loan bears interest at a rate of 4.75% to 5.70%, while the Fund Loan is a zero-interest loan. At December 31, 2010 and 2009, 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, 2010 and 2009, \$15,223,696 and \$15,223,696 has been drawn-down on the loan, leaving a receivable balance of \$596,344 and \$596,344, respectively. The difference, or \$330,000, relates to Costs of Issuance 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, 2010 and 2009, \$9,108,729 and \$6,509,888 has been drawn-down on the loan. This leaves a receivable balance of \$3,042,425 and \$5,641,266, 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 \$33,565 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, 2010 and 2009, \$11,787,963 and \$11,237,476 has been drawn-down on the loan. This leaves a receivable balance of \$509,885 and \$1,060,372, respectively. The difference, or \$220,553, relates to Costs of Issuance withheld from the loan drawdown by NJEIT. This, in addition to legal costs relating to the loan issuance by the Authority of approximately \$33,565 is being amortized over the life of the loan.

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

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, 2010 and 2009, \$-0- and \$-0- has been drawn-down on the loan. This leaves a receivable balance of \$1,090,524 and \$1,090,524, respectively. The Costs of Issuance withheld from the loan drawdown by NJEIT of \$-0- is being amortized over the life of the loan. This loan was incorrectly booked in the Sewer Fund in the prior year, it has been corrected this year.

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 ARRA). 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 appears on the SEFA at page 65. At December 31, 2010 \$34,290 has been drawn-down on the loan. This leaves a receivable balance of \$2,331,534. There was a small premium booked on this loan of \$2,912 which was amortized in the current year.

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, 2010 \$-0- has been drawn-down on the loan. This leaves a receivable balance of \$2,041,195. There was a small premium booked on this loan of \$299 which was amortized in the current year.

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, 2010 \$3,240,000 has been drawn-down on the loan. This leaves a receivable balance of \$445,468. 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 an \$2,580,000 Trust Loan and a \$7,782,030 Fund Loan from NJEIT during 2010. The Trust Loan bears interest at a rate of 4.0% to 5.0%, while the Fund Loan is a zero-interest loan. At December 31, 2010 \$4,568,396 has been drawn-down on the loan. This leaves a receivable balance of \$5,807,644. There was a premium booked on this loan of \$14,010 which was amortized in the current year.

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

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturities		Balance December 31, 2009	Paid in 2010	Balance December 31, 2010
	Trust Loan	Fund Loan			
2/1/11		18,056			
8/1/11	110,000	86,958			
2/1/12		16,161			
8/1/12	115,000	88,195			
2/1/13		14,181			
8/1/13	120,000	89,346			
2/1/14		12,114			
8/1/14	125,000	90,411			
2/1/15		9,960			
8/1/15	135,000	94,521			
2/1/16		7,635			
8/1/16	140,000	95,328			
2/1/17		5,223			
8/1/17	150,000	99,180			
2/1/18		2,640			
8/1/18	155,000	99,728			
2/1/19		(125)			
8/1/19	165,000	103,225			
	<u>\$ 1,215,000</u>	<u>\$ 932,737</u>	<u>\$ 2,349,933</u>	<u>\$ 202,197</u>	<u>\$ 2,147,736</u>
Current Portion of Loan Payable			\$ 202,196		\$ 215,014
Long-term Portion of Loan Payable			<u>2,147,737</u>		<u>1,932,722</u>
			<u>\$ 2,349,933</u>		<u>\$ 2,147,736</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturities		Balance December 31, 2009	Paid in 2010	Balance December 31, 2010
	Trust Loan	Fund Loan			
2/1/11		91,200			
8/1/11	410,000	347,090			
2/1/12		84,803			
8/1/12	430,000	353,175			
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	670,000	428,615			
	<u>\$ 5,845,000</u>	<u>\$4,831,798</u>	<u>\$ 11,504,776</u>	<u>\$ 827,978</u>	<u>\$ 10,676,798</u>
Current Portion of Loan Payable			\$ 827,978		\$ 848,290
Long-term Portion of Loan Payable			<u>10,676,798</u>		<u>9,828,508</u>
			<u>\$ 11,504,776</u>		<u>\$ 10,676,798</u>

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

DECEMBER 31, 2010 AND 2009

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, 2009	Paid in 2010	Balance December 31, 2010
2/1/11		127,051			
8/1/11	125,000	355,955			
2/1/12		121,328			
8/1/12	135,000	368,545			
2/1/13		117,126			
8/1/13	140,000	373,499			
2/1/14		112,639			
8/1/14	145,000	378,168			
2/1/15		107,860			
8/1/15	145,000	373,389			
2/1/16		101,221			
8/1/16	155,000	385,063			
2/1/17		94,125			
8/1/17	160,000	387,123			
2/1/18		86,801			
8/1/18	170,000	398,110			
2/1/19		79,018			
8/1/19	180,000	408,640			
2/1/20		72,425			
8/1/20	185,000	411,204			
2/1/21		65,650			
8/1/21	195,000	422,740			
2/1/22		56,722			
8/1/22	205,000	432,125			
2/1/23		47,337			
8/1/23	215,000	441,053			
2/1/24		38,971			
8/1/24	225,000	450,999			
2/1/25		29,700			
8/1/25	235,000	460,040			
2/1/26		20,018			
8/1/26	245,000	468,670			
2/1/27		9,923			
8/1/27	255,000	476,888			
	<u>\$ 3,115,000</u>	<u>\$ 8,280,126</u>	<u>\$ 11,999,964</u>	<u>\$ 604,838</u>	<u>\$ 11,395,126</u>
Current Portion of Loan Payable			\$ 604,838		\$ 608,006
Long-term Portion of Loan Payable			11,395,126		10,787,120
			<u>\$ 11,999,964</u>		<u>\$ 11,395,126</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturity Trust Loan	Fund Loan	Balance	Paid in	Balance
			December 31, 2009	2010	December 31, 2010
2/1/11		126,685			
8/1/11	125,000	358,819			
2/1/12		120,882			
8/1/12	130,000	362,301			
2/1/13		116,778			
8/1/13	135,000	367,483			
2/1/14		112,390			
8/1/14	140,000	372,381			
2/1/15		107,710			
8/1/15	145,000	376,986			
2/1/16		100,978			
8/1/16	155,000	388,825			
2/1/17		93,782			
8/1/17	160,000	390,914			
2/1/18		86,354			
8/1/18	170,000	402,057			
2/1/19		78,461			
8/1/19	175,000	403,450			
2/1/20		71,962			
8/1/20	185,000	415,521			
2/1/21		65,090			
8/1/21	190,000	417,935			
2/1/22		56,269			
8/1/22	200,000	427,684			
2/1/23		46,984			
8/1/23	210,000	436,970			
2/1/24		38,697			
8/1/24	220,000	447,253			
2/1/25		29,504			
8/1/25	230,000	456,632			
2/1/26		19,894			
8/1/26	240,000	465,592			
2/1/27		9,866			
8/1/27	250,000	474,137			
	<u>\$ 3,060,000</u>	<u>\$ 8,247,226</u>	<u>\$ 11,914,587</u>	<u>\$ 607,361</u>	<u>\$ 11,307,226</u>
Current Portion of Loan Payable			\$ 607,361		\$ 610,504
Long-term Portion of Loan Payable			11,307,226		10,696,722
			<u>\$ 11,914,587</u>		<u>\$ 11,307,226</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2009	Paid in 2010	Balance December 31, 2010
2/1/11		12,186			
8/1/11	10,000	29,455			
2/1/12		11,754			
8/1/12	10,000	29,023			
2/1/13		11,322			
8/1/13	10,000	28,591			
2/1/14		10,890			
8/1/14	10,000	28,160			
2/1/15		10,459			
8/1/15	10,000	27,728			
2/1/16		10,027			
8/1/16	10,000	27,296			
2/1/17		9,595			
8/1/17	15,000	35,499			
2/1/18		8,948			
8/1/18	15,000	34,852			
2/1/19		8,300			
8/1/19	15,000	34,204			
2/1/20		7,620			
8/1/20	15,000	33,524			
2/1/21		6,908			
8/1/21	15,000	32,812			
2/1/22		6,195			
8/1/22	15,000	32,099			
2/1/23		5,483			
8/1/23	20,000	40,022			
2/1/24		4,533			
8/1/24	20,000	39,072			
2/1/25		3,670			
8/1/25	20,000	38,208			
2/1/26		2,806			
8/1/26	20,000	37,345			
2/1/27		1,943			
8/1/27	20,000	36,481			
2/1/28		1,079			
8/1/28	25,000	44,253			
	<u>\$ 275,000</u>	<u>\$ 742,342</u>	<u>\$ 1,069,846</u>	<u>\$ 52,504</u>	<u>\$ 1,017,342</u>
Current Portion of Loan Payable			\$ 52,504		\$ 51,641
Long-term Portion of Loan Payable			1,017,342		965,701
			<u>\$ 1,069,846</u>		<u>\$ 1,017,342</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2009	Issued in 2010	Balance December 31, 2010
2/1/11		20,753			
8/1/11	40,000	41,505			
2/1/12		20,753			
8/1/12	40,000	41,505			
2/1/13		20,753			
8/1/13	45,000	41,505			
2/1/14		20,753			
8/1/14	45,000	41,505			
2/1/15		20,753			
8/1/15	50,000	41,505			
2/1/16		20,753			
8/1/16	50,000	41,505			
2/1/17		20,753			
8/1/17	55,000	41,505			
2/1/18		20,753			
8/1/18	55,000	41,505			
2/1/19		20,753			
8/1/19	60,000	41,505			
2/1/20		20,753			
8/1/20	60,000	41,505			
2/1/21		20,753			
8/1/21	65,000	41,505			
2/1/22		20,753			
8/1/22	65,000	41,505			
2/1/23		20,753			
8/1/23	70,000	41,505			
2/1/24		20,753			
8/1/24	70,000	41,505			
2/1/25		20,753			
8/1/25	75,000	41,505			
2/1/26		20,753			
8/1/26	80,000	41,505			
2/1/27		20,753			
8/1/27	80,000	41,505			
2/1/28		20,753			
8/1/28	85,000	41,505			
2/1/29		20,753			
8/1/29	90,000	41,515			
	<u>\$ 1,180,000</u>	<u>\$ 1,182,912</u>	<u>\$ -</u>	<u>\$ 2,362,912</u>	<u>\$ 2,362,912</u>
Current Portion of Loan Payable			\$ -		\$ 102,258
Long-term Portion of Loan Payable			-		2,260,654
			<u>\$ -</u>		<u>\$ 2,362,912</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2009	Issued in 2010	Balance December 31, 2010
2/1/11		26,858			
8/1/11	15,000	53,715			
2/1/12		26,858			
8/1/12	20,000	53,715			
2/1/13		26,858			
8/1/13	20,000	53,715			
2/1/14		26,858			
8/1/14	20,000	53,715			
2/1/15		26,858			
8/1/15	20,000	53,715			
2/1/16		26,858			
8/1/16	20,000	53,715			
2/1/17		26,858			
8/1/17	25,000	53,715			
2/1/18		26,858			
8/1/18	25,000	53,715			
2/1/19		26,858			
8/1/19	25,000	53,715			
2/1/20		26,858			
8/1/20	25,000	53,715			
2/1/21		26,858			
8/1/21	30,000	53,715			
2/1/22		26,858			
8/1/22	30,000	53,715			
2/1/23		26,858			
8/1/23	30,000	53,715			
2/1/24		26,858			
8/1/24	30,000	53,715			
2/1/25		26,858			
8/1/25	30,000	53,715			
2/1/26		26,858			
8/1/26	35,000	53,715			
2/1/27		26,858			
8/1/27	35,000	53,715			
2/1/28		26,858			
8/1/28	35,000	53,715			
2/1/29		26,858			
8/1/29	40,000	53,724			
	<u>\$ 510,000</u>	<u>\$ 1,530,896</u>	<u>\$ -</u>	<u>\$ 2,040,896</u>	<u>\$ 2,040,896</u>
Current Portion of Loan Payable			\$ -		\$ 95,573
Long-term Portion of Loan Payable			-		1,945,323
			<u>\$ -</u>		<u>\$ 2,040,896</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2009	Issued in 2010	Balance December 31, 2010
2/1/11					
8/1/11		62,471			
2/1/12		31,235			
8/1/12	55,000	62,470			
2/1/13		31,235			
8/1/13	60,000	62,470			
2/1/14		31,235			
8/1/14	60,000	62,470			
2/1/15		31,235			
8/1/15	65,000	62,470			
2/1/16		31,235			
8/1/16	70,000	62,470			
2/1/17		31,235			
8/1/17	70,000	62,470			
2/1/18		31,235			
8/1/18	75,000	62,470			
2/1/19		31,235			
8/1/19	80,000	62,470			
2/1/20		31,235			
8/1/20	85,000	62,470			
2/1/21		31,235			
8/1/21	90,000	62,470			
2/1/22		31,235			
8/1/22	90,000	62,470			
2/1/23		31,235			
8/1/23	95,000	62,470			
2/1/24		31,235			
8/1/24	100,000	62,470			
2/1/25		31,235			
8/1/25	105,000	62,470			
2/1/26		31,235			
8/1/26	110,000	62,470			
2/1/27		31,235			
8/1/27	115,000	62,470			
2/1/28		31,235			
8/1/28	125,000	62,470			
2/1/29		31,235			
8/1/29	130,000	62,470			
2/1/30		31,235			
8/1/30	135,000	62,465			
	<u>\$ 1,715,000</u>	<u>\$ 1,842,861</u>	<u>\$ -</u>	<u>\$ 3,557,861</u>	<u>\$ 3,557,861</u>
Current Portion of Loan Payable			\$ -		\$ 62,471
Long-term Portion of Loan Payable			-		3,495,390
			<u>\$ -</u>		<u>\$ 3,557,861</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

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

Date	Maturity Trust Loan	Fund Loan	Balance December 31, 2009	Issued in 2010	Balance December 31, 2010
2/1/11		136,527			
8/1/11	90,000	273,054			
2/1/12		136,527			
8/1/12	95,000	273,054			
2/1/13		136,527			
8/1/13	95,000	273,054			
2/1/14		136,527			
8/1/14	100,000	273,054			
2/1/15		136,527			
8/1/15	105,000	273,054			
2/1/16		136,527			
8/1/16	110,000	273,054			
2/1/17		136,527			
8/1/17	115,000	273,054			
2/1/18		136,527			
8/1/18	125,000	273,054			
2/1/19		136,527			
8/1/19	130,000	273,054			
2/1/20		136,527			
8/1/20	135,000	273,054			
2/1/21		136,527			
8/1/21	140,000	273,054			
2/1/22		136,527			
8/1/22	145,000	273,054			
2/1/23		136,527			
8/1/23	150,000	273,054			
2/1/24		136,527			
8/1/24	160,000	273,054			
2/1/25		136,527			
8/1/25	165,000	273,054			
2/1/26		136,527			
8/1/26	170,000	273,054			
2/1/27		136,527			
8/1/27	175,000	273,054			
2/1/28		136,527			
8/1/28	185,000	273,054			
2/1/29		136,527			
8/1/29	190,000	273,045			
	<u>\$ 2,580,000</u>	<u>\$ 7,782,030</u>	<u>\$ -</u>	<u>\$ 10,362,030</u>	<u>\$ 10,362,030</u>
Current Portion of Loan Payable			\$ -		\$ 499,581
Long-term Portion of Loan Payable			-		9,862,449
			<u>\$ -</u>		<u>\$ 10,362,030</u>

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

DECEMBER 31, 2010 AND 2009

7. LONG-TERM OBLIGATIONS (Continued)

J. Sewer Project Notes

On November 9, 2009 the Authority retired \$7,000,000 in Sewer Project Notes bearing an interest rate of 3.75%. 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.

K. 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
2011	\$ 14,233,338	\$ 7,532,720	\$ 21,766,058	\$ 3,820,000	\$ 1,850,736	\$ 5,670,736
2012	14,962,284	6,916,733	21,879,017	3,765,000	1,703,327	5,468,327
2013	15,639,605	6,239,584	21,879,189	3,700,000	1,567,473	5,267,473
2014	16,346,716	5,524,645	21,871,361	2,960,000	1,431,404	4,391,404
2015	17,423,956	4,779,031	22,202,987	2,215,000	1,310,966	3,525,966
2016-2020	60,777,945	16,564,725	77,342,670	18,535,000	4,240,818	22,775,818
2021-2025	33,500,582	8,706,688	42,207,270	6,080,000	1,066,244	7,146,244
2026-2030	15,428,501	2,535,742	17,964,243	2,455,000	946,058	3,401,058
2031-2035		-	-	1,325,000	117,469	1,442,469
Total	\$ 188,312,927	\$ 58,799,868	\$ 247,112,795	\$ 44,855,000	\$ 14,234,495	\$ 59,089,495

L. Defeasance of Debt

In 1985, 1989, 1993, 1998, 2003, 2005 and 2007 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, 2010 and 2009, the total amount of defeased debt outstanding was \$31,550,000 and \$31,550,000, respectively.

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

DECEMBER 31, 2010 AND 2009

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 tri-ennial basis) from prior years and provides information useful in assessing potential demands on the Authority's cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The most recent actuarial valuation was performed as of December 31, 2010.

Brief description of the retiree health insurance plan:

- a. Plan Types: The Authority provides hospitalization, major medical, prescription, dental and optical coverage for a period of eighteen (18) months post-retirement after retirement approved by the State of New Jersey PERS.

- b. Eligibility: Qualifying retirees are defined as those who retire from the Authority through the PERS with either: (i) a minimum of 25 years of continued Authority employment; or (ii) a minimum of 20 years of service and are at least 62 years of age.

- c. Benefit/Cost Sharing: After the 18th month of post-retirement, the Authority retains the employee and spouse on the current hospitalization/major medical plan until such time as he/she are Medicare eligible.

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

The Authority does not continue dental or optical coverage beyond the 18th month.

- d. Spouse Benefit: Yes

- e. Surviving Spouse: Yes

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

DECEMBER 31, 2010 AND 2009

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

f. Monthly Premiums:

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

Annual OPEB and Net OPEB Obligation:

	<u>Fiscal Year Ending 12/31/2008</u>	<u>Fiscal Year Ending 12/31/2009</u>	<u>Fiscal Year Ending 12/31/2010</u>
Annual required contribution (ARC) normal cost	\$ 638,622	\$ 664,167	\$ 814,543
Amortization of unfunded actuarial accrued liability (UAAL)	588,949	649,370	661,179
ARC	1,227,571	1,313,537	1,475,722
Interest on net OPEB obligation	41,684	86,251	119,049
Adjustment to ARC	(34,068)	(72,569)	(120,628)
Annual OPEB Cost	1,235,187	1,327,219	1,474,143
less: Contributions made	244,814	267,685	321,895
Increase in net OPEB obligation	\$ 990,373	\$ 1,059,534	\$ 1,152,248
Net OPEB obligation Beginning of year	\$ 926,320	\$ 1,916,693	\$ 2,976,227
Net OPEB obligation December 31	<u>\$ 1,916,693</u>	<u>\$ 2,976,227</u>	<u>\$ 4,128,475</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, 2010 AND 2009

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, 2010, 2009 and 2008 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Payroll
12/31/2008	1,235,187	19.8%	1,916,693	4,844,686	25.5%
12/31/2009	1,327,219	20.2%	2,976,227	5,038,474	26.3%
12/31/2010	1,474,143	21.8%	4,128,475	5,540,414	26.6%

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
12/31/2008	-	\$14,925,684	\$14,925,684	0%	\$ 4,844,686	308%
12/31/2009	-	\$14,925,684	\$14,925,684	0%	\$ 5,038,474	296%
12/31/2010	-	\$16,965,661	\$16,965,661	0%	\$ 5,540,414	306%

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, 2010 AND 2009

9. RESERVE FOR ARBITRAGE

The Authority calculates and monitors the arbitrage requirements for certain bond issues. The applicable arbitrage yield requirements have been determined by Bond Counsel. An outside consultant, Benecke Economics, advised the Authority that no rebate was due covering the period January 1, 2001 through December 31, 2006.

10. CONTRIBUTED CAPITAL - WATER

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

11. CONTRIBUTED CAPITAL - SEWER

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

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

12. COMPENSATED ABSENCES

The Authority employees accrue sick time of ten hours per month after their third full month of employment. Accrued sick time owed to employees amounted to \$124,521 and \$160,322 at December 31, 2010 and 2009, 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 \$74,756 and \$81,250 at December 31, 2010 and 2009, respectively.

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

DECEMBER 31, 2010 AND 2009

13. USER RATES

SEWER RATE		
<u>Date Adopted</u>	<u>Effective Dates</u>	<u>Rate per 100 Cubic Feet of Water Consumed</u>
12/29/05	1/1/09	3.25
10/29/09	1/1/10	4.70

WATER RATE		
<u>Date Adopted</u>	<u>Effective Dates</u>	<u>Rate per 100 Cubic Feet of Water Consumed</u>
12/29/05	1/1/09	3.33
10/29/09	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 1st in the years 2006-2015. On October 29, 2009 the Commissioners of the Authority adopted resolution 10/09/06 which authorized sewer and water rates of \$4.70 and \$3.45, respectively, effective January 1, 2010. In accordance with resolution 12/05/17, these rates will increase 3.75% each January 1st through 1, 2015, ending with sewer and water rates of \$5.65 and \$4.14, respectively.

14. CONTINGENT LIABILITIES AND LITIGATION

In August 2009, the supervisor of permits and connection fees for the Authority pleaded guilty to colluding with several contractors to receive corrupt cash payments. The supervisor admitted accepting cash payments in exchange for her agreement to falsify and/or approve fraudulent sewer permit applications. The fraudulent permit applications for various properties made it appear that sewer connections would be for two-bedroom residences, as opposed to three-bedroom residences, which resulted in lower permit application fees. According to a stipulation in the supervisor's plea agreement with the federal government, the value of the benefits received exceeded \$70,000 but was less than \$120,000. The corrupt contact occurred between at least January 2005 and June 2008. The Authority has reviewed its internal control procedures regarding all significant revenue streams and has implemented new procedures which it believes offers effective and appropriate controls.

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

DECEMBER 31, 2010 AND 2009

14. CONTINGENT LIABILITIES AND LITIGATION (Continued)

The former director of administration and financial management was terminated on July 28, 2005. On October 26, 2005, the former director filed a notice of claim against the Authority, the City of Jersey City and various authority commissioners for wrongful termination. An arbitration hearing was held on January 19, 2011. Following this hearing, the arbitrator issued an award in favor of the plaintiff. On April 4, 2011, the Board of Commissioners of the Authority authorized the settlement of this matter. The award shall be paid by insurance, less any applicable deductible. On April 14, 2011 an order of Dismissal with Prejudice and Costs for the Authority was entered. The matter is still pending against the City of Jersey City and its various defendants.

On February 8, 2010, the New Jersey Firemen's Home filed a complaint against the Authority and Verizon New Jersey, Inc., seeking monetary damages. The complaint alleges that a diversion of surface water onto the Firemen's Home property caused damage and erosion. The Authority timely filed an answer to the complaint and, simultaneously, filed cross-claims against Verizon. In addition, the Firemen's Home filed a Notice of Tort Claim with the Rahway Valley Regional Sewerage Authority. It is anticipated that RVRSA will be brought into this action by way of amended complaint. At that time, the parties intend on pursuing a mediation/settlement process to resolve this matter. However, upon information and belief, this action may result in a liability to the Authority exceeding \$150,000.

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, 2010 and 2009 the Authority had \$8,485,442 and \$4,190,601, respectively, of open construction contracts payable.

15. NET ASSETS

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

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

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

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

DECEMBER 31, 2010 AND 2009

15. NET ASSETS (Continued)

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

Sewer Net Asset amounts were calculated as follows:

	Sewer Fund December 31, 2010	Sewer Fund December 31, 2009
Invested in Capital Assets, Net of Related Debt		
Net Capital Assets	\$ 121,374,300	\$ 118,179,537
Sewer Refunding Bonds Payable (Net of unspent proceeds)	(55,088,785)	(60,417,010)
Bonds Payable (Current portion)	(7,661,612)	(7,122,516)
Sewer Capital Notes Payable (Net of unspent proceeds)	(7,000,000)	(10,782,650)
NJ Environmental Infrastructure Loan Payable Series 1999, 2001, 2007, 2009 and 2010	(21,792,751)	(17,908,869)
Bond issuance costs, discounts, premiums, net	1,029,177	1,339,175
	30,860,329	23,287,667
Restricted		
Unspent Note proceeds		2,974,056
Sewer Project Notes Payable		(2,974,056)
Loan Receivable	8,456,966	7,328,134
NJ Environmental Infrastructure Loan Payable - Series 1999, 2001, 2007, 2009 and 2010	(8,456,966)	(7,328,134)
Renewal and Replacement	250,000	250,000
	250,000	250,000
Unrestricted Net Assets	(6,851,464)	(4,206,294)
TOTAL NET ASSETS	\$ 24,258,865	\$ 19,331,373

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

DECEMBER 31, 2010 AND 2009

15. NET ASSETS (Continued)

Water Net Asset amounts were calculated as follows:

	Water Fund December 31, 2010	Water Fund December 31, 2009
Invested in Leasehold Interest, Net of Related Debt		
Net Leasehold Interest	\$ 94,697,760	\$ 93,217,119
Water Revenue Bonds Payable (Net of unspent proceeds)	(57,060,474)	(62,402,841)
Bonds Payable (Current portion)	(6,571,726)	(5,787,361)
Due to Jersey City	(55,035,000)	(58,855,000)
Due to Jersey City (Current portion)	(3,820,000)	(3,735,000)
NJ Environmental Infrastructure Loan Payable - Series 2007, 2008 and 2010	(14,116,819)	(10,246,854)
Bond issuance costs, discounts, premiums, net	1,778,121	1,899,680
	<u>(40,128,138)</u>	<u>(45,910,257)</u>
Restricted		
Loan Receivable	7,408,053	1,060,372
NJ Environmental Infrastructure Loan Payable - Series 2007, 2008 and 2010	(7,408,053)	(1,060,372)
Unspent bond proceeds	7,591,000	7,591,000
Water Revenue Bonds Payable	(7,591,000)	(7,591,000)
	<u>-</u>	<u>-</u>
Total Restricted	<u>-</u>	<u>-</u>
Unrestricted Net Assets	<u>42,527,155</u>	<u>35,565,276</u>
TOTAL NET ASSETS	<u>\$ 2,399,017</u>	<u>\$ (10,344,981)</u>

The water fund net assets at December 31, 2009 had a deficit of \$10,344,981. The negative equity was a result of, among other factors, amortizing the water leasehold interest over the life of the lease whereas the expenditures to pay the City for the leasehold interest is being raised when due. The amended franchise agreement extended the lease period to 25 years which exceeds the latest maturity date of City debt currently outstanding. Upon termination of the amended lease, any negative net assets that remain will be transferred to the City.

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

DECEMBER 31, 2010 AND 2009

17. CONNECTION FEES

The Authority charges a fee for new connections to its Water and Sewer systems. At December 31, 2010 and 2009 the fee was \$200 per equivalent dwelling unit (EDU) for water connections and \$1,791 per EDU for sewer connections.

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). It will take approximately two years to begin operations. North Bergen will pay the cost of sewerage treatment directly to PVSC.

18. 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 \$243,101 and \$200,953 for 2010 and 2009 respectively.

The Authority engages an outside workers' compensation attorney, Sean Kean, Esq. to handle all workers' compensation claims against the Authority arising from prior periods when they were "self-insured" for workers compensation losses. The Authority does not accrue for losses as the amounts are difficult to estimate and they pay medical expenses and claims as they are incurred and/or settled through litigation. For the years ended December 31, 2010 and 2009, the Authority paid \$126,052 and \$306,929, respectively, for workers compensation expenses excluding legal bills relating to workers' compensation. For the years ended December 31, 2010 and 2009 the Authority paid \$65,949 and \$60,009, respectively, in workers compensation attorney expenses.

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

DECEMBER 31, 2010 AND 2009

19. INTERFUND BALANCE

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

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 23, 2011, the date of this report.

SINGLE AUDIT SECTION

DONOHUE, GIRONDA & DORIA

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

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

We have audited the financial statements of the Jersey City Municipal Utilities Authority (the "Authority"), as of, and for the year ended, December 31, 2010, and have issued our report thereon dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

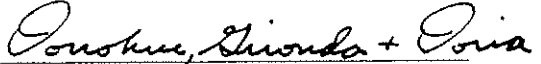
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

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 certain immaterial instances of noncompliance that we have reported to management of the Authority in the comments and recommendations section of this report.

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


DONOHUE, GIRONDA & DORIA
Certified Public Accountants


MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey
June 23, 2011

DONOHUE, GIRONDA & DORIA

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

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

Compliance

We have audited the compliance of the Jersey City Municipal Utilities Authority (the "Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010. The Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010.

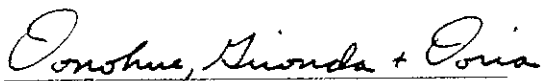
Internal Control Over Compliance

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

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

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

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


DONOHUE, GIRONDA & DORIA
Certified Public Accountants


MATTHEW A. DONOHUE, CPA

Bayonne, New Jersey
June 23, 2011

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010**

Federal Pass-Through Grantor/ Program Title	CFDA Number	STATE OF NJ Grant Number	Grant Period		Grant Award	Funds Rec'd Through 12/31/10	Expended In FY 2010	Loan Receivable Balance 12/31/09	Funds Received In FY 2010	Loan Receivable Balance 12/31/10	Cumulative Expenditures
			From	To							
Department of Housing and Urban Development-CDBG-Brownfields Economic Development Initiative- Passed through City of Jersey	14.246		Open		\$ 237,500	\$ 237,500	\$ 237,500	\$ -	\$ 237,500	\$ -	\$ 237,500
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-Fund Loan: 2001	66.458	4860-510-020	Open		7,910,000	7,611,828	-	298,172	-	298,172	7,611,828
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-Fund Loan: 2007 Sewer	66.458	4860-558-001	Open		9,113,366	6,831,547	1,506,209	4,230,950	1,949,131	2,281,819	7,161,512
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-Fund Loan: 2007 Water	66.468	4840-527-024	Open		9,223,341	8,843,177	166,139	793,029	412,865	380,164	7,718,470
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-Fund Loan: 2008 Water	66.468		Open		805,524	-	-	805,524	-	805,524	-
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-Fund Loan: 2009 Water	66.468		Open		7,782,030	3,426,298	4,315,850	-	3,426,298	4,355,732	4,315,850
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-Fund Loan: 2009 Sewer	66.458		Open		1,182,911	34,290	194,954	-	34,290	1,148,621	194,954
United States Environmental Protection Agency: New Jersey Environmental Infrastructure Trust-ARRA Grant: 2009 Sewer	66.458		Open		2,365,823	2,365,823	2,365,823	-	2,365,823	-	2,365,823
						<u>\$ 8,786,475</u>	<u>\$ 6,127,675</u>	<u>\$ 8,425,907</u>	<u>\$ 9,270,032</u>	<u>\$ 29,605,937</u>	

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

DECEMBER 31, 2010 AND 2009

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. The Authority has recognized revenue for ARRA funds which were received in conjunction with NJEIT Loan. Those funds provided for partial principal forgiveness on the Authority's 2010 ARRA loan. Additionally, the Authority has recognized funds expended during the year on an Office of Housing and Urban Development, Community Development Block Grant, Economic Development Initiative Grant which was "passed-through" the City of Jersey City.

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

Section I - Summary of Auditors' Results

Financial Statement Section

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

G) Identification of major programs:

<u>CFDA Number/Grant Number</u>	<u>Name of Program or Cluster</u>
14.246	HUD, CDBG, Economic Development Initiative as passed through the City of Jersey City
66.458	EPA-NJEITL Fund and ARRA funds (LOAN passed through NJ) 2007 and 2009 Sewer Infrastructure Improvements
66.468	EPA-NJEITL Fund (LOAN passed through NJ) 2007 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?	_____ Yes	_____ X No
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JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

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> </u> Yes	<u> X </u> No
L) Internal Control over Major Programs		
1) Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> No
M) Type of auditors' report on compliance for major programs	Unqualified	
N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04?	<u> </u> Yes	<u> X </u> No
O) Identification of major programs		

State Grant/Grant Number	Name of State Program
State Portion	EPA-NJEITL Trust (LOAN passed through NJ) 2007, 2009/2010 and 2010 Supp. B Sewer Infrastructure Improvements
State Portion	EPA-NJEITL Trust (LOAN passed through NJ) 2007 and 2009 Water Infrastructure Improvements

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

YEAR ENDED DECEMBER 31, 2010

Section 2 - Financial Statement Findings

- NONE -

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

YEAR ENDED DECEMBER 31, 2010

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

NONE

Summary Schedule of Prior Year Audit Findings

NONE

SUPPLEMENTARY INFORMATION

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN
NET ASSETS - RESTRICTED AND UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Water Unrestricted Funds	Restricted			Total Water
		Water Revenue Fund	Bond Reserve Fund	Water Bond Reserve Fund	
Operating revenues:					
Water-user charges	\$ -	\$ 42,943,650	\$ -	\$ -	\$ 42,943,650
Bulk water	-	9,127,213	-	-	9,127,213
Interest on delinquent payments	-	657,910	-	-	657,910
Connection fees	-	931,753	-	-	931,753
		<u>53,660,526</u>			<u>53,660,526</u>
Operating expenses:					
Cost of providing services	28,021,580	-	-	-	28,021,580
Administration	1,954,133	-	-	-	1,954,133
Leasehold amortization expense	-	4,909,309	-	-	4,909,309
	<u>29,975,713</u>	<u>4,909,309</u>			<u>34,885,022</u>
Operating income (loss):	<u>(29,975,713)</u>	<u>48,751,217</u>			<u>18,775,504</u>
Non-operating revenues (expenses):					
Interest income	3,569	39,142	144,862		187,573
Interest expense	(6,029,888)	-	-		(6,029,888)
Other amortization expense	-	(189,191)	-		(189,191)
	<u>(6,026,319)</u>	<u>(150,049)</u>	<u>144,862</u>		<u>(6,031,506)</u>
Change in net assets before transfers	(36,002,032)	48,601,168	144,862		12,743,998
Transfers	42,963,911	(42,819,049)	(144,862)		-
Change in net assets	<u>6,961,879</u>	<u>5,782,119</u>			<u>12,743,998</u>
Net assets, December 31, 2009	<u>35,565,276</u>	<u>(45,910,257)</u>			<u>(10,344,981)</u>
Net Assets, December 31, 2010	<u>\$ 42,527,155</u>	<u>\$ (40,128,138)</u>			<u>\$ 2,399,017</u>

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN
NET ASSETS - RESTRICTED AND UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2010

	R E S T R I C T E D					Total Sewer
	Sewer Unrestricted Funds	Sewer Revenue Fund	Sewer Renewal and Replacement Fund	Sewer Capital Improvement Account	Sewer Construction Fund	
Operating revenues:						
Sewer-user charges	\$ -	\$ 41,608,654	\$ -	\$ -	\$ -	\$ 41,608,654
Interest on delinquent payments	-	638,535	-	-	-	638,535
Service agreements	-	2,302,541	-	-	-	2,302,541
Connection fees	-	413,012	-	-	-	413,012
Other revenue	-	275,819	-	-	-	275,819
	-	45,238,561	-	-	-	45,238,561
Operating expenses:						
Cost of providing services	29,851,366	-	-	-	-	29,851,366
Administrative, executive and professional	2,802,768	-	-	-	-	2,802,768
Depreciation expense	800,252	-	-	462,741	-	5,835,551
	33,454,386	-	-	462,741	-	38,489,685
	(33,454,386)	45,238,561	-	(462,741)	(4,572,558)	6,748,876
Operating income (loss):						
Non-operating revenues (expenses):						
Grant revenue	-	-	-	-	2,603,323	2,603,323
Interest income	30,829	9,070	25	-	3,600	43,524
Interest expense	(3,884,318)	-	-	-	-	(3,884,318)
Amortization expense	-	-	-	-	(583,913)	(583,913)
	(3,853,489)	9,070	25	-	2,023,010	(1,821,384)
Net income (loss) before transfers	(37,307,875)	45,247,631	25	(462,741)	(2,549,548)	4,927,492
Transfers	34,662,705	(45,247,631)	(25)	462,741	10,122,210	-
Change in net assets	(2,645,170)	-	-	-	7,572,662	4,927,492
Net assets, December 31, 2009	(4,206,294)	-	250,000	-	23,287,667	19,331,373
Net assets, December 31, 2010	\$ (6,851,464)	\$ -	\$ 250,000	\$ -	\$ 30,860,329	\$ 24,258,865

**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, 2010**

	<u>Water Operating Fund</u>
Balance, December 31, 2009	
Cash and cash equivalents	\$ 4,667,339
Increased by receipts:	
Transfer from:	
Water revenue fund	53,643,062
Reimbursed capital expenses-Due from City	609,340
Interest income	3,569
	<u>54,255,971</u>
	<u>58,923,310</u>
Decreased by disbursements:	
Operations	37,562,596
Interest Expense	6,074,959
Bond Principal Paid	9,522,361
	<u>53,159,916</u>
Balance, December 31, 2010	
Cash and cash equivalents	<u>\$ 5,763,394</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, 2010**

	Sewer Operating Fund	Sewer General Fund	Total Sewer
Balance, December 31, 2009			
Cash and cash equivalents	\$ 4,550,988	\$ 6,103,928	\$ 10,654,916
Increased by receipts:			
Transfer from:			
Sewer revenue fund	46,016,072	-	46,016,072
Unreimbursed North Bergen expenses	521,224		521,224
Interest income	20,115	10,565	30,680
	46,557,411	10,565	46,567,976
	51,108,399	6,114,493	57,222,892
Decreased by disbursements:			
Operations	31,192,618	-	31,192,618
Interest expense paid	3,956,838	-	3,956,838
Bond principal paid	7,122,516	-	7,122,516
	42,271,972	-	42,271,972
Balance, December 31, 2010			
Cash and cash equivalents	\$ 8,836,427	\$ 6,114,493	\$ 14,950,920

**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, 2010**

	Water Revenue Fund	Water Bond Reserve Fund	Total Water
Balance, December 31, 2009			
Cash and cash equivalents	\$ 10,491,551	\$ 5,195,895	\$ 15,687,446
Increased by receipts:			
Revenue:			
Interest on investments	39,430	1,384	40,814
Interest on delinquent payments	657,910	-	657,910
Receipts from customers	42,588,510	-	42,588,510
Bulk water	9,127,213	-	9,127,213
Other revenue	931,753	-	931,753
Transfer from:			
Water bond reserve fund	2,281,581	-	2,281,581
NJFIT Drawdown	5,118,883	-	5,118,883
	60,745,280	1,384	60,746,664
	71,236,831	5,197,279	76,434,110
Decreased by disbursements:			
Purchase leasehold assets	6,419,503	-	6,419,503
Transfer to:			
Water operating fund	53,643,062	-	53,643,062
Water revenue fund	-	2,281,581	2,281,581
Sewer construction fund	2,411,886	-	2,411,886
Sewer revenue fund	4,519,423	-	4,519,423
	66,993,874	2,281,581	69,275,455
Balance, December 31, 2010			
Cash and cash equivalents	\$ 4,242,957	\$ 2,915,698	\$ 7,158,655
Current restricted cash and cash equivalents	\$ 4,242,957	\$ -	\$ 4,242,957
Noncurrent restricted cash and cash equivalents	-	2,915,698	2,915,698
	\$ 4,242,957	\$ 2,915,698	\$ 7,158,655

**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, 2010**

	Sewer Revenue Fund	Sewer Bond Reserve Fund	Sewer Construction Fund	Sewer Renewal and Replacement Fund	Total Sewer
Balance, December 31, 2009	\$ 2,944,591	\$ 1,425,813	\$ 4,307,738	\$ 250,005	\$ 8,928,147
Cash and cash equivalents					
Increased by receipts:					
Revenue:					
Interest on investments	9,070	142	3,602	28	12,842
Receipts from customers	44,127,177	-	-	-	44,127,177
Other receipts	285,745	-	-	-	285,745
Contributed capital grants	-	-	2,603,323	-	2,603,323
Transfer from:					
Water revenue fund	4,519,423	-	2,411,886	-	6,931,309
NJEIT loan drawdown	-	-	5,873,383	-	5,873,383
Sewer Project Note Issuance	-	-	7,000,000	-	7,000,000
	<u>48,941,415</u>	<u>142</u>	<u>17,892,194</u>	<u>28</u>	<u>66,833,779</u>
	51,886,006	1,425,955	22,199,932	250,033	75,761,926

**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, 2010**

	Sewer Revenue Fund	Sewer Bond Reserve Fund	Sewer Construction Fund	Sewer Renewal and Replacement Fund	Total Sewer
Balance, carried forward	51,886,006	1,425,955	22,199,932	250,033	75,761,926
Decreased by disbursements:					
Note retirement	-	-	11,200,000	-	11,200,000
Fixed asset purchases	-	-	9,016,168	-	9,016,168
Transfer to:					
Sewer operating fund	46,016,072	-	-	-	46,016,072
	46,016,072	-	20,216,168	-	66,232,240
Balance, December 31, 2010	\$ 5,869,934	\$ 1,425,955	\$ 1,983,764	\$ 250,033	\$ 9,529,686
Cash and cash equivalents					
Current restricted cash and cash equivalents	\$ 5,869,934	\$ -	\$ -	\$ -	\$ 5,869,934
Noncurrent restricted cash and cash equivalents	-	1,425,955	1,983,764	250,033	3,659,752
	\$ 5,869,934	\$ 1,425,955	\$ 1,983,764	\$ 250,033	\$ 9,529,686

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009**

WATER FUND

	<u>2010 Budget</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Revenues			
Revenue anticipated:			
Service Fees:			
User charges and fees	\$ 42,290,000	\$ 42,943,650	\$ 40,795,846
Bulk water	8,500,000	9,127,213	7,876,095
Total Service Fees	<u>50,790,000</u>	<u>52,070,863</u>	<u>48,671,941</u>
Non-operating revenue:			
Interest on investments	400,000	187,573	350,903
Interest on delinquent payments	325,000	657,910	611,886
Total non-operating revenue	<u>725,000</u>	<u>845,483</u>	<u>962,789</u>
Non-budget revenue:			
Connection fees	400,000	931,753	415,071
Other revenue	-	-	21,728
Surplus (added) used	4,600,000	(8,320,138)	1,788,877
Total non-budget revenue	<u>5,000,000</u>	<u>(7,388,385)</u>	<u>2,225,676</u>
Total Revenues	<u>\$ 56,515,000</u>	<u>\$ 45,527,961</u>	<u>\$ 51,860,406</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

WATER FUND

	2010 <u>Budget</u>	2010 <u>Actual</u>	2009 <u>Actual</u>
Administration:			
Water Administration Allocation	\$ 2,500,000	\$ 1,954,133	\$ 2,048,499
Total Administration	<u>2,500,000</u>	<u>1,954,133</u>	<u>2,048,499</u>
Cost of Providing Services:			
Salaries and wages	260,000	103,325	216,865
Fringe benefits	60,000	11,582	87,279
Other expenses	1,372,006	1,355,041	724,898
Rockaway Valley Sewerage Authority	2,970,692	2,730,857	3,115,581
Property taxes	1,133,000	1,045,452	969,744
United Water maintenance fee	14,040,000	13,256,558	12,933,852
Water Plant Utilities	975,000	930,530	910,222
Cost of Providing Services-Preliminary	<u>20,810,698</u>	<u>19,433,345</u>	<u>18,958,441</u>
Operations and maintenance reserve	<u>250,000</u>	<u>452,111</u>	<u>1,175,711</u>
Renewal and replacement reserve	<u>1,450,000</u>	<u>736,124</u>	<u>968,549</u>
Water franchise reserve used		(8,600,000)	
Water franchise payment	<u>16,000,000</u>	<u>16,000,000</u>	<u>13,000,000</u>
Total franchise fees	<u>16,000,000</u>	<u>7,400,000</u>	<u>13,000,000</u>
Total Cost of Providing Services	38,510,698	28,021,580	34,102,701
Principal payments on debt service in lieu of depreciation	<u>9,522,362</u>	<u>9,522,360</u>	<u>9,308,754</u>
Interest payment on debt service	<u>5,981,940</u>	<u>6,029,888</u>	<u>6,400,452</u>
	<u>\$ 56,515,000</u>	<u>\$ 45,527,961</u>	<u>\$ 51,860,406</u>
Revenues less appropriations - Budget basis		\$ -	\$ -
Adjustments needed to reconcile to net loss on GAAP basis:			
Principal payments on debt		9,522,360	9,308,754
Amortization		(5,098,500)	(4,811,870)
Surplus added (used)		<u>8,320,138</u>	<u>(1,788,877)</u>
Change in net assets		<u>\$ 12,743,998</u>	<u>\$ 2,708,007</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009**

SEWER FUND

	<u>2010 Budget</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
REVENUES			
Revenue anticipated:			
Service Fees:			
User charges and fees	\$ 44,155,000	\$ 41,608,654	\$ 29,287,678
Sewer Connection fees	1,800,000	413,012	1,833,104
Service agreements	1,900,000	2,302,541	1,798,071
Total Service Fees	<u>47,855,000</u>	<u>44,324,207</u>	<u>32,918,853</u>
Non-operating revenues			
Interest on investments	100,000	43,524	43,535
Interest on delinquent payments	400,000	638,535	726,696
Total non-operating revenues	<u>500,000</u>	<u>682,059</u>	<u>770,231</u>
Non-budget revenue:			
Capital contribution grant income		2,603,323	-
Other revenue	-	275,819	245,498
Surplus (added) used	-	(4,224,440)	9,676,338
Total non-budget revenue	<u>-</u>	<u>(1,345,298)</u>	<u>9,921,836</u>
Total Revenues	<u>\$ 48,355,000</u>	<u>\$ 43,660,968</u>	<u>\$ 43,610,920</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

SEWER FUND

	2010 Budget	2010 Actual	2009 Actual
Administration:			
Salaries and wages	\$ 1,690,820	\$ 1,697,105	\$ 1,839,350
Fringe benefits:			
Public employees' retirement system	135,631	152,896	75,832
FICA taxes and expenses	128,096	128,241	123,457
Unemployment and disability insurance	13,954	19,029	24,513
Workers' compensation insurance	189,772	103,022	140,516
Hospitalization and related insurance	808,317	652,925	604,330
Annual OPEB cost- Admin	-	442,243	411,438
Total fringe benefits	<u>1,275,770</u>	<u>1,498,356</u>	<u>1,380,086</u>
Other expenses:			
Office supplies and expenses	70,000	39,585	42,691
Communications	95,000	95,944	79,279
Trustees' fees and expenses	84,000	83,711	93,638
Education, travel, conferences, public relations and advertising	107,000	39,846	51,425
Audit fee and other accounting services	65,000	20,535	63,513
Legal	425,000	206,364	210,589
Engineering	300,000	135,421	171,585
Computer services	120,000	67,515	33,557
General liability and Auto insurance	796,950	441,817	421,800
Intermunicipal Agreements:			
Engineering	408,000	430,702	408,000
Total other expenses	<u>2,470,950</u>	<u>1,561,440</u>	<u>1,576,077</u>
Administration allocated to Water Fund	<u>(2,500,000)</u>	<u>(1,954,133)</u>	<u>(2,048,499)</u>
Total Administration	<u>2,937,540</u>	<u>2,802,768</u>	<u>2,747,014</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

SEWER FUND

	2010 Budget	2010 Actual	2009 Actual
Cost of Providing Services:			
Salaries and wages:			
West-side plant	\$ 1,040,139	\$ 1,010,315	\$ 1,004,336
Plant maintenance and repair	1,096,411	1,032,997	1,005,113
Fleet maintenance and repair	95,500	92,733	85,208
Infrastructure maintenance	2,135,759	2,196,048	2,024,298
Total salaries and wages	<u>4,367,809</u>	<u>4,332,093</u>	<u>4,118,955</u>
Fringe benefits:			
Public employees' retirement system	350,369	394,968	198,257
FICA taxes and expenses	330,904	323,486	322,768
Unemployment and disability insurance	36,046	49,157	64,087
Workers' compensation insurance	490,228	266,131	367,366
Hospitalization and related insurance	2,088,083	1,686,668	1,579,969
Annual OPEB cost-COS	-	1,031,900	915,781
Total fringe benefits	<u>3,295,630</u>	<u>3,752,310</u>	<u>3,448,228</u>
Other expenses:			
West-side plant:			
Heat, light and power	400,000	420,766	272,759
Grit disposal	165,000	212,099	197,030
NJDEP permit	250,000	31,614	50,700
East-side plant:			
Heat, light and power	500,000	563,285	527,410
Plant maintenance and repair:			
Other expenses	1,200,000	324,078	1,200,088
Staff uniforms	22,000	17,221	13,986
Safety equipment	32,000	31,585	30,487
Fleet maintenance and repair:			
Automotive fuel	150,000	114,326	94,139
Parts	125,000	76,193	99,318
Equipment rental	10,000	8,566	-
Maintenance and repairs	125,000	185,710	123,634
Vehicle registration	2,000	1,734	1,360
Waste-water treatment:			
Passaic Valley Sewerage Commission contract	20,159,640	19,495,467	19,192,096

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

SEWER FUND

	2010 <u>Budget</u>	2010 <u>Actual</u>	2009 <u>Actual</u>
Infrastructure maintenance:			
Other expenses	\$ 248,494	\$ 231,848	\$ 197,468
Video parts and repairs	20,000	16,522	21,056
Earth disposal	50,000	17,152	-
NJ CSO permits	-	-	-
Interfund repayment	1,000,000	-	-
Total other expenses	<u>24,459,134</u>	<u>21,748,166</u>	<u>22,021,531</u>
Renewal and replacement reserve	<u>1,900,000</u>	<u>18,797</u>	<u>432,604</u>
Total Cost of Providing Services	<u>34,022,573</u>	<u>29,851,366</u>	<u>30,021,318</u>
Principal payments on debt service in lieu of depreciation	<u>7,282,515</u>	<u>7,122,516</u>	<u>6,656,583</u>
Interest payments:			
Bond and Loan Interest	3,762,372	3,744,707	3,924,234
Note interest	350,000	139,611	261,771
Interest payment on debt service	<u>4,112,372</u>	<u>3,884,318</u>	<u>4,186,005</u>
	<u>\$ 48,355,000</u>	<u>\$ 43,660,968</u>	<u>\$ 43,610,920</u>
Revenues less appropriations - Budget basis		\$ -	\$ -
Adjustments needed to reconcile to net loss on GAAP basis:			
Principal payments on debt		7,122,516	6,656,583
Amortization		(583,913)	(575,918)
Depreciation		(5,835,551)	(5,490,932)
Surplus added (used)		<u>4,224,440</u>	<u>(9,676,338)</u>
Change in net assets		<u>\$ 4,927,492</u>	<u>\$ (9,086,605)</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
ANALYSIS OF USER CHARGES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Water Fund</u>	<u>Sewer Fund</u>
Balance, December 31, 2009	\$ 7,827,101	\$ 3,957,786
Increased by:		
User charges and bulk water billed	<u>54,332,675</u>	<u>42,677,728</u>
	62,159,776	46,635,514
Decreased by:		
Collections	<u>51,955,170</u>	<u>40,147,355</u>
Balance, December 31, 2010	10,204,606	6,488,159
Less: Allowance for doubtful accounts	<u>(3,862,038)</u>	<u>(1,606,134)</u>
Net User Fees Receivable	<u>\$ 6,342,568</u>	<u>\$ 4,882,025</u>

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS
DECEMBER 31, 2010**

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 Backhoe
- 3 Catch Basin/Jet Truck
- 4 Combination Vacuum/Jet Truck
- 5 Replace Gas Forced Air Heat East Side Plant
- 6 Burma Road Sewer Improvements
- 7 Princeton and Cator Sewer Improvements
- 8 Ogden Avenue Sewer Improvements
- 9 Magnesium Pellets for Odor Control
- 10 Natural Gas/Electricity
- 11 Soil and Boring Service
- 12 Parts and Repair for HVAC System
- 13 Safety Equipment and Associated Hardware
- 14 Parts for Electronic Frequency Drive System
- 15 Hardware Supplies
- 16 Soil Removal
- 17 Parts and Repair Services for Combined Sewer Regulator
- 18 Parts and Repair Services for Bar Screens East Side and West Side Plant
- 19 Mini Excavator
- 20 Upgrade for SCADA for Pump Stations
- 21 Upgrade security systems
- 22 Disposable netting bags and associated hardware for CSO

**JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS
DECEMBER 31, 2010**

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 \$4,350 (\$5,400 after July 1, 2010) 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, 2010**

COMMENT 10-01: There was a \$29,147,411 inter-fund receivable on the books of the Water Fund and a corresponding \$29,147,411 inter-fund payable on the books of the Sewer Fund at December 31, 2010.

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.

STATISTICAL SECTION

Jersey City Municipal Utilities Authority
Expenditures by Function
Last Nine 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>				
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	85,000,000
2007		3,100,000	244,540	16,553,308	6,812,692	997,171	16,599,998
2006			277,503	15,667,613	7,028,651	640,883	16,000,000
2005			236,382	15,653,743	6,944,930	596,715	16,000,000
2004			310,257	14,751,972	6,791,352	1,737,495	30,000,000
2003			262,293	12,842,866	5,889,100	205,764	30,000,000
2002			243,661	13,074,061	4,637,401	332,339	7,200,000
			<u>SEWER FUND</u>				
2010		584,373	8,084,403	21,748,166	3,884,318	18,797	
2009		2,195,187	7,567,183	22,021,531	4,186,005	432,604	
2008		2,018,407	7,059,366	20,658,280	4,603,748	93,223	
2007		1,220,162	5,794,667	21,178,630	4,505,101	146,109	
2006		2,961,162	5,127,763	21,443,875	4,510,791	310,847	
2005		2,651,179	4,829,482	18,984,696	4,036,950	464,691	
2004		2,612,724	4,122,393	15,304,765	4,592,158	7,380	
2003		2,374,263	4,161,961	14,905,795	4,582,316	468,742	
2002		1,800,764	3,781,166	13,897,214	4,071,361	166,685	8,800,000
			<u>TOTALS</u>				
2010		2,218,395	8,187,728	41,078,186	9,914,206	1,207,032	16,000,000
2009		2,195,187	7,784,048	40,763,107	10,586,457	2,576,864	13,000,000
2008		2,018,407	7,313,849	38,980,837	11,305,776	591,239	85,000,000
2007		1,220,162	6,039,207	37,731,938	11,317,793	1,143,280	16,599,998
2006		2,961,162	5,405,266	37,111,488	11,539,442	951,730	16,000,000
2005		2,651,179	5,065,864	34,638,439	10,981,880	1,061,406	16,000,000
2004		2,612,724	4,432,650	30,056,737	11,383,510	1,744,875	30,000,000
2003		2,374,263	4,424,254	27,748,661	10,471,416	674,506	30,000,000
2002		1,800,764	4,024,827	26,971,275	8,708,762	499,024	16,000,000

Jersey City Municipal Utilities Authority
User Rates
Last Nine Fiscal Years

Water Rate

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

Sewer Rate

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

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

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

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

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

Jersey City Municipal Utilities Authority
Miscellaneous Statistics
December 31, 2010

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