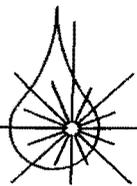


WASHINGTON TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY  
COUNTY OF MORRIS  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 AND 2009

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
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YEAR ENDED DECEMBER 31, 2010

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## INTRODUCTORY SECTION



**WASHINGTON TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY**

PO Box 226 - 46 E. Mill Road  
Long Valley, NJ 07853

• WASTEWATER TREATMENT • PUBLIC WATER SUPPLY •

Phone: (908) 876-3145  
Fax: (908) 876-5528

March 29, 2011

The Honorable Chairman and Members  
of the Washington Township Municipal Utilities Authority  
Long Valley, NJ

Dear Authority Members:

The annual financial report of the Washington Township Municipal Utilities Authority (The "Authority") for the years ended December 31, 2010 and 2009, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, single audit and comments and recommendations. The introductory section includes this transmittal letter, the Authority's organizational chart and a list of principal officials. The financial section includes the financial statements as well as the auditors' report thereon. The Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Honorable Chairman and Members  
of the Washington Township Municipal Utilities Authority  
Page 2  
March 29, 2011

### GENERAL TRENDS AND SIGNIFICANT EVENTS

During 2010, the Authority experienced the following in the administrative area:

- Through personnel and organizational changes, the Authority is streamlining the work flow and updating data management. This will allow us to more effectively use the resources available. In one area, reorganizing the ledger system together with incorporating tighter controls on data passed between the separate utility billing and accounting systems provides better fiscal control. Improvement of manpower utilization is being accomplished through reorganizing personnel assignments.
- The Authority enrolled an in-house employee in Rutgers University Public Purchasing classes with the intent of obtaining certification as a Qualified Purchasing Agent. At the end of 2010, three of the four classes were completed. Additionally, changes were made in the purchasing process to comply with regulations.
- The Authority began reviewing billing needs. Billing and finance software options were explored with the intent to reduce manpower required to maintain two incompatible software systems and improve customer service administration.
- The Authority continued its proactive & preventative maintenance program for both the water and sewer divisions. Key equipment and parts that are subject to wear are being monitored to allow for cyclical replacement. Parts for equipment where break downs are known to occur, but at unpredictable times, are being inventoried to prevent extended downtimes.

During 2010, the Authority's water division experienced the following:

- In the exploration for new water sources in Schooley's Mountain water system, we have found a new source that will allow us to supplement the production capability and reliability of the system. Additional testing and permitting is required to put the well in production.
- A program for upgrading all customer water meters has been initiated to allow for automated reading. This will reduce manpower needed for reading and will provide better customer service. Additionally the Authority began exploring static automated meter reading which could provide additional reduction in manpower for meter reading, meter service and customer service as well as quicker identification of meter reader issues.

During 2010, the Authority's sewer division experienced the following:

- The Authority has continued its Inflow & Infiltration (I&I) program to reduce the volume of water that is treated and reduce the treatment costs.
- The Authority began exploring improvements to the Schooley's Mountain plant with the intent to generate cost savings and improve working conditions.

CASH MANAGEMENT: The investment policy of the Authority is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 6. The Authority has adopted a cash management plan which requires it to deposit public funds in public depositories 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. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Authority carries various forms of insurance, including but not limited to general liability, excess liability, public officials liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds.

The Honorable Chairman and Members  
of the Washington Township Municipal Utilities Authority  
Page 3  
March 29, 2011

OTHER INFORMATION:

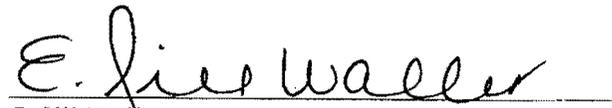
**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Authority. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A- 133 and New Jersey's OMB Circular NJOMB 04-04. The auditors' report on the financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report, if applicable.

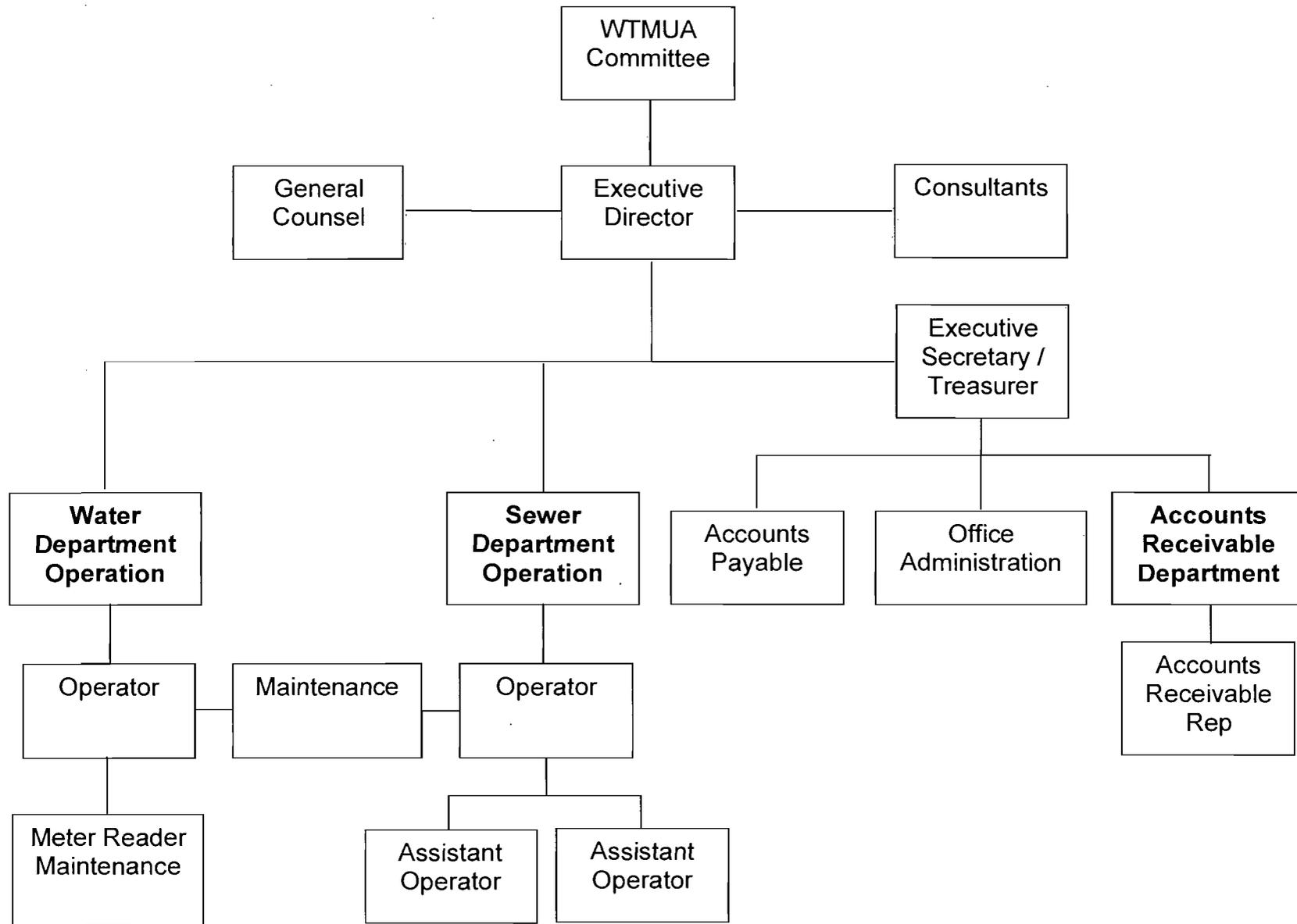
ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Washington Township Municipal Utilities Authority for their concern in providing fiscal accountability to the citizens of Washington Township and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

  
Michael Pucilowski  
Executive Director

  
E. Jill Waller  
Secretary



**WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
ROSTER OF OFFICIALS  
DECEMBER 31, 2010**

Board Members

Sam Akin	Chairman
Dean Strawn	Vice Chairman
Vincent Kramer	Board Member Alternate 1
Mark Napolitano	Board Member
Howard Popper	Board Member Alternate 2
Walt Cullen	Board Member
Paul Peters	Board Member

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Nisivoccia LLP  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856

**ATTORNEY**

James R. Gregory, Esq.  
Gregory and Reed  
2 Sylvan Way, Suite 303  
Parsippany, NJ 07054

**ENGINEER**

D.J. Egarian & Associate, Inc.  
2 Sylvan Way  
Suite 303 West  
Parsippany, NJ 07054

**FINANCIAL SECTION**

## Independent Auditors' Report

The Honorable Chairman and Members  
of the Washington Township Municipal  
Utilities Authority  
Long Valley, NJ

We have audited the accompanying financial statements of the Washington Township Municipal Utilities Authority (the "Authority") as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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, the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the, "Division"), 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 audits 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Township Municipal Utilities Authority as of December 31, 2010 and 2009, and the changes in financial position and cash flows thereof 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 March 29, 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 the 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 audits.

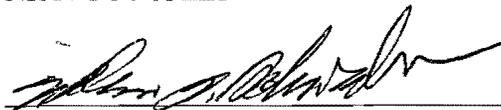
The Honorable Chairman and Members  
of the Washington Township Municipal  
Utilities Authority  
Page 2

The Management's Discussion and Analysis (MD&A) on pages 3 to 6 and the supplementary information schedules in the Table of Contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America and the Division. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise the Authority's basic financial statements. The introductory section and supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basis financial statements. The supplementary information schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on this section.

March 29, 2011

NISIVOCCIA LLP



William F. Schroeder  
Registered Municipal Accountant #452  
Certified Public Accountant

## **MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)**

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

Management believes the Authority's financial position is strong. The Authority is well within its stringent financial policies and guidelines set by the Board and management. The following are key highlights:

- The Authority lowered its total debt by \$803,371, and the balance is \$9,105,080. This includes Environmental Infrastructure loans.
- During fiscal year 2010 the Authority treated 195.12 million gallons of wastewater. This is 6.4% more than the 183.41 million gallon quantity processed during fiscal year 2009.
- For fiscal year 2010 the Authority delivered in excess of 286.48 million gallons of potable water as compared to 2009 when 273 million gallons were delivered. This represents an increase of 4.9%.
- Combined operating revenues were \$3.46 million, an increase of \$120,593 compared to 2009.

### **Overview of Annual Financial Report**

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the audited financial statements and supplementary information. The Management's Discussion and Analysis represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting as utilized by similar government activities. The financial statements include a statement of net assets; a statement of revenue, expenses, and changes in net assets; a statement of cash flows and notes to the financial statements.

The *statement of net assets* presents the financial position of the Authority on a full accrual historical cost basis. The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the *statement of revenue, expenses, and changes in net assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and ensure that capital costs are allocated on the basis of long-term requirements, ensuring that growth pays for growth.

The *statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information concerning the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

### **Financial Conditions**

The Authority's financial condition remained strong at year-end with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net assets. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

The Authority's total net assets increased from the prior year by \$621,763. The analysis below focuses on the Authority's net assets (Table 1) and changes in net assets (Table 2) during the year.

	December 31,		(Decrease) From 2009	Increase/ (Decrease)
	2010	2009		
Current and Other Assets	\$ 3,557,532	\$ 3,415,047	\$ 142,485	4.17%
Noncurrent Assets	20,134,132	20,550,424	(416,292)	(2.03)%
Total Assets	<u>23,691,664</u>	<u>23,965,471</u>	<u>(273,807)</u>	(1.14)%
Current Liabilities	1,195,271	1,274,267	(78,996)	(6.20)%
Long-term Liabilities	8,333,506	9,150,080	(816,574)	(8.92)%
Total Liabilities	<u>9,528,777</u>	<u>10,424,347</u>	<u>(895,570)</u>	(8.59)%
Invested in Capital Assets, Net of Debt	10,845,565	10,443,099	402,466	3.85%
Unrestricted	1,862,561	2,078,619	(216,058)	(10.39)%
Restricted	1,454,761	1,019,406	435,355	42.71%
Total Net Assets	<u>\$ 14,162,887</u>	<u>\$ 13,541,124</u>	<u>\$ 621,763</u>	4.59%

Total net assets increased 4.59%. This was a result of adopting a conservative balanced budget which provides for the continued payment of debt service principal in excess of annual depreciation and planned growth in operating and maintenance reserves.

Changes in the Authority's net assets can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Assets for the year.

Table II  
Condensed Statement of Revenue, Expenses and Changes in Net Assets

	December 31,		Increase/ (Decrease) From 2009	Percent of Increase/ (Decrease)
	2010	2009		
<u>Revenue</u>				
Operating Revenue	\$ 3,457,311	\$ 3,336,718	\$ 120,593	3.61%
Nonoperating Revenue	27,054	42,849	(15,795)	(36.86)%
Total Revenue	<u>3,484,365</u>	<u>3,379,567</u>	<u>104,798</u>	3.10%
<u>Expense</u>				
Water Transmission	880,865	875,080	5,785	.66%
Sewer Disposal	945,297	1,004,099	(58,802)	(5.86)%
Amortization of Loss on Advanced Refunding	15,387	15,387	-	-
Depreciation	751,635	742,867	8,768	1.18%
Interest Expense - Debt Service	269,418	286,729	(17,311)	(6.04)%
Total Expenses	<u>2,862,602</u>	<u>2,924,162</u>	<u>(61,560)</u>	(1.04)%
Increase in Net Assets	621,763	455,405	166,358	36.53%
Beginning Net Assets	13,541,124	13,085,719	455,405	3.48%
Ending Net Assets	<u>\$ 14,162,887</u>	<u>\$ 13,541,124</u>	<u>\$ 621,763</u>	4.59%

### Results of Operations

**Operating Revenue:** Revenue from operations falls into several categories: water and sewer service fees and water and sewer connection fees. Both sewer and water rates were increased on January 6, 2010. The connection fees were unchanged. Water rent revenue increased 10.99% from 2009. Sewer rent revenue increased 1.74% over 2009. Water connection fee revenue decreased \$7,800 over 2009. Sewer connection fee revenue decreased \$8,463 over 2009.

**Budgetary Highlights:** The Authority amended its 2010 water operating budget by increasing Fund Balance revenue and various operating expenses by \$108,853. No amendments were made to the 2010 sewer operating budget.

**Nonoperating Revenue:** The Authority's nonoperating revenue decreased 36.86% from 2009. The primary reason for the decrease was a decrease in interest income due to lower interest rates and less interest earned on wastewater loan proceeds held by the State of New Jersey.

**Expenses:** The Authority operates two water systems and two sewerage systems. Operating and non-operating expenses for the water systems increased \$5,785 or .66% over 2009. Operating and non-operating expenses for the sewer systems decreased \$58,802 or 5.86% from 2009.

**Capital Assets:** As of December 31, 2010, the Authority had \$19,996 million invested in net capital assets, including land, two wastewater treatment plants, two sewage collection systems including seven pumping stations, two water distribution systems including five water storage tanks, fifteen wells and potable water treatment systems. The amount represents a decrease of \$400,904 over the prior year.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the year ended December 31, 2010 and 2009. These changes are presented in detail in Note 3 to the financial statements.

Table III  
Capital Assets, Net of Accumulated Depreciation

	December 31,		Increase/ (Decrease) From 2009	Percent of Increase/ (Decrease)
	2010	2009		
Land	\$ 485,970	\$ 485,970	\$ -	-
Buildings/Treatment Plant	8,272,944	8,272,944	-	-
Transmission Facilities	24,773,909	24,423,179	350,730	1.44%
Equipment/Vehicles	192,573	192,573	-	-
Office Furniture/Fixtures	27,807	27,807	-	-
Total	<u>33,753,203</u>	<u>33,402,473</u>	<u>350,730</u>	1.05%
Less:				
Accumulated Depreciation	<u>13,757,557</u>	<u>13,005,923</u>	<u>751,634</u>	5.78%
Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,995,646</u>	<u>\$ 20,396,550</u>	<u>\$ (400,904)</u>	(1.97)%

**Cash Flow Activity:** Cash and cash equivalents at year-end 2010 increased by \$136,185, or 4.33% from the previous year. The Authority still maintains a healthy cash balance to meet future emergencies and capital requirements.

**Final Comments:** The Authority has developed future water supply sources to meet the increased demands of growth within its franchise areas and is developing another new source to permit the abandonment of older sources. Infrastructure improvements, and vehicle and equipment replacement continue to be a priority of the Authority. Upgrades to both the sewerage and water systems are planned as the systems age.

**Long-Term Debt:** At year end, the Authority had \$9,150,080 in debt outstanding – a decrease of \$803,371 from last year, as shown in Table IV. More detailed information about the Authority's long-term debt is presented in Note 4 to the financial statements.

Table IV  
Outstanding Long-Term Debt

	Dec. 31,		(Decrease) From 2009	Increase/ (Decrease)
	2010	2009		
Wastewater Revenue Bonds Payable	\$ 3,619,351	\$ 4,160,888	\$ (541,537)	(13.01%)
Water and Sewer Revenue Bonds Payable	<u>5,530,729</u>	<u>5,792,563</u>	<u>(261,834)</u>	(4.52%)
	<u>\$ 9,150,080</u>	<u>\$ 9,953,451</u>	<u>\$ (803,371)</u>	(8.07%)

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 1,670,287	\$ 2,057,909
Water and Sewer Charges Receivable (Less Allowance for Uncollectible Receivables of \$10,000 in 2010 and 2009)	279,310	273,010
Total Unrestricted Assets	<u>1,949,597</u>	<u>2,330,919</u>
Restricted Assets:		
Bond Reserve Account:		
Cash and Cash Equivalents	121,149	121,148
Renewal and Replacement Account:		
Cash and Cash Equivalents	81,847	81,846
General Account:		
Cash and Cash Equivalents	938,104	504,053
Debt Service Account (1998 Series A & B):		
Cash and Cash Equivalents	1,558	1,557
Bond Reserve Account (1998 Series A):		
Cash and Cash Equivalents	281,281	281,278
Bond Reserve Account (1998 Series B):		
Cash and Cash Equivalents	26,466	26,466
Escrow Deposits Account:		
Cash and Cash Equivalents	153,174	64,722
Bond Service Reserve Account (2005 Series):		
Cash and Cash Equivalents	1	
Unemployment Compensation Account:		
Cash and Cash Equivalents	4,355	3,058
Total Restricted Assets	<u>1,607,935</u>	<u>1,084,128</u>
Total Current Assets	<u>3,557,532</u>	<u>3,415,047</u>
<b>Noncurrent Assets:</b>		
Investment in Plant, Net	19,995,645	20,396,550
Unamortized Loss on Advanced Refunding	138,487	153,874
	<u>20,134,132</u>	<u>20,550,424</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,691,664</u>	<u>\$ 23,965,471</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2010 AND 2009  
(Continued)

	2010	2009
<b><u>LIABILITIES</u></b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 68,303	\$ 235,488
Accrued Interest Payable	53,176	59,698
Payroll Taxes and Deductions Payable	2,464	9,756
Total Current Liabilities Payable from Unrestricted Assets	123,943	304,942
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable - Short-Term Portion	260,321	261,834
Wastewater Bonds Payable - Short-Term Portion	556,253	541,537
Escrow Deposits Payable	254,754	165,954
Total Current Liabilities Payable from Restricted Assets	1,071,328	969,325
Total Current Liabilities	1,195,271	1,274,267
Long-Term Liabilities:		
Revenue Bonds Payable - Long-Term Portion	5,270,408	5,530,729
Wastewater Bonds Payable - Long-Term Portion	3,063,098	3,619,351
Total Long-Term Liabilities	8,333,506	9,150,080
Total Liabilities	9,528,777	10,424,347
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets, Net of Related Debt	10,845,565	10,443,099
Unrestricted:		
Undesignated	1,862,561	2,078,619
Restricted:		
Bond Reserve Account	121,149	121,148
Renewal and Replacement Account	81,847	81,846
Bond General Account	938,104	504,053
Debt Service Account (1998 Series A & B)	1,558	1,557
Bond Reserve Account (1998 Series A)	281,281	281,278
Bond Reserve Account (1998 Series B)	26,466	26,466
Bond Service Reserve Account (2005 Series)	1	
Unemployment Compensation Account	4,355	3,058
Total Net Assets	14,162,887	13,541,124
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,691,664</b>	<b>\$ 23,965,471</b>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating Revenue:		
Water Charges	\$ 1,065,428	\$ 959,946
Sewer Charges	2,181,775	2,141,087
Connection Fees	18,675	180,792
Other Fees and Income	191,433	54,893
Total Operating Revenue	<u>3,457,311</u>	<u>3,336,718</u>
Operating Expenses:		
Water Transmission	880,865	875,080
Sewer Disposal	945,297	1,004,099
Depreciation	751,635	742,867
Total Operating Expenses	<u>2,577,797</u>	<u>2,622,046</u>
Operating Income	<u>879,514</u>	<u>714,672</u>
Nonoperating Revenue (Expenses):		
Interest Income	27,054	42,849
Interest Expense - Debt Service	(269,418)	(286,729)
Amortization of Loss on Advance Refunding	(15,387)	(15,387)
Total Nonoperating Revenue (Expenses)	<u>(257,751)</u>	<u>(259,267)</u>
Increase in Net Assets	621,763	455,405
Net Assets, Beginning of Year	13,541,124	13,085,719
Net Assets, End of Year	<u>\$ 14,162,887</u>	<u>\$ 13,541,124</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF  
THIS STATEMENT

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 3,240,903	\$ 3,030,024
Other Receipts	298,908	237,655
Cash Paid to Suppliers and Employees (Including Grant Expenditures)	<u>(2,000,639)</u>	<u>(1,946,447)</u>
Net Cash Provided/(Used) by Operating Activities	<u>1,539,172</u>	<u>1,321,232</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payments on Debt	(803,371)	(788,934)
Interest Expense	(275,940)	(292,904)
Purchase of Capital Assets	<u>(350,730)</u>	<u>(479,515)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(1,430,041)</u>	<u>(1,561,353)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In	435,355	102,751
Transfers Out	<u>(435,355)</u>	<u>(102,751)</u>
Net Cash Used for Noncapital Financing Activities	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	<u>27,054</u>	<u>42,849</u>
Net Cash Provided/(Used) by Investing Activities	<u>27,054</u>	<u>42,849</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	136,185	(197,272)
Cash and Cash Equivalents - Beginning of Year	<u>3,142,037</u>	<u>3,339,309</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,278,222</u>	<u>\$ 3,142,037</u>
Reconciliation of net operating Income to net cash provided by operating activities:		
Operating Income	\$ 879,514	\$ 714,672
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	751,635	742,867
Changes in Net Assets:		
(Increase)/Decrease in Water and Sewer Charges Receivable	(6,300)	(70,809)
Increase/(Decrease) in Payroll Taxes and Deductions Payable	(7,292)	(2,706)
Increase/(Decrease) in Escrow Deposits Payable	88,800	1,970
Increase/(Decrease) in Accounts Payable	<u>(167,185)</u>	<u>(64,762)</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,539,172</u>	<u>\$ 1,321,232</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010

Note 1 - Nature of Authority

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The Authority utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. Operating revenue, such as charges for services result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings and interest expense. The Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., totals assets net of total liabilities) are segregated into "invested in capital assets, net of related debt"; "restricted"; and "unrestricted" components.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

Reporting Entity

Governmental Accounting Standards Board publication Codification of Governmental Accounting and Financial Reporting Standards section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The Authority is a legally separate organization, whose members are appointed by the Council of the Township of Washington. Financial transactions are processed and accounted for by the Authority's financial administration. Accordingly, the Authority is not considered a component unit of the Township of Washington under the provisions of Governmental Accounting Standards Boards, Codification Section 2100. There were no additional entities required to be included in the reporting entity under the criteria as described above.

B. Grants

Recognition of revenue from grants is based on the accrual basis of accounting. Grant funds received before costs are incurred are deferred.

Grant related expenditures incurred in advance of receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as nonoperating revenue.

C. Inventories

The cost of inventories of supplies is recorded as expenditures at the time individual items are purchased, since they are immaterial to the financial position and results of operations.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from the estimates.

E. Accrued Sick and Vacation Benefits

The Authority permits employees to accrue a limited amount of unused vacation, which may be taken as time off through March of the following year. Half of all unused sick pay is paid at year end. The cost of such unpaid compensation would be included in the Authority's operating expenditures in the year in which it is paid.

F. Net Assets

Net assets are classified as net asserts and displayed in three components:

1. Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – consists of constraints placed on net asset use through external constraints imposed by the 1995, 1998 and 2005 Bond Resolutions.
3. Unrestricted – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

G. Restricted Accounts

The Authority has established a restricted escrow account to hold the cash portion of performance bonds required to be posted by developers whose work affects the Authority. The security portion of such deposits, together with interest earned on that portion, is refunded to the developer, once the work has been satisfactorily completed. At December 31, 2010, \$254,754 was restricted for this purpose and \$153,174 was held for cash and cash equivalents. The amount held for this purpose is less than the amount restricted due to other related expenses being paid from this account in prior years.

In accordance with the provisions of the July 1, 1995, October 1, 1998, and December 15, 2005 bond sales, the Authority has established restricted cash accounts for the following purposes:

Bond Reserve and Services Accounts - The Authority is required to segregate the next year's average annual debt service requirement. At December 31, 2010, \$428,897 was held for this purpose.

Renewal and Replacement Account - The Authority has segregated \$81,847 at December 31, 2010 for the renewal and replacement of Authority fixed capital.

Debt Service Account - The Authority is required to segregate on a monthly basis 1/6th of the next semi-annual interest payment due and 1/12th of the next annual principal payment due. At December 31, 2010, \$1,558 was held for this purpose.

Bond General Account - Restricted bond account to be used after the other restricted bond accounts have been satisfied. This account will be used for bond sale provisions. At December 31, 2010, \$938,104 was held for this purpose.

The Authority also has \$4,355 held for unemployment compensation at December 31, 2010.

H. Revenue Recognition

The Authority has service agreements with Washington Township and Tewksbury Township. The majority of the Authority's customers are residential. However, there are several commercial customers who are charged a different usage rate. All customers are billed quarterly based on actual usage readings. Estimates based on prior usage are utilized where actual readings cannot be obtained. Adjustments for actual usage are applied to the following quarter's bill or to the first quarter for which an actual reading can be obtained. Revenue is recorded net of any discounts, assessments or abatements, if applicable.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 3: Capital Assets

Capital assets , balances and activity for the year ended December 31, 2010 were as follows:

	<u>2009</u>	<u>Additions</u>	<u>2010</u>
Land	\$ 485,970		\$ 485,970
Buildings/Treatment Plant	8,272,944		8,272,944
Transmission Facilities	24,423,179	\$ 350,730	24,773,909
Equipment/Vehicle	192,573		192,573
Office Furniture/Fixtures	27,807		27,807
Total	<u>33,402,473</u>	<u>350,730</u>	<u>33,753,203</u>
Accumulated Depreciation	<u>(13,005,923)</u>	<u>(751,634)</u>	<u>(13,757,557)</u>
	<u>\$20,396,550</u>	<u>\$ (400,904)</u>	<u>\$19,995,646</u>

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets were reviewed for impairment.

Major classes of property, plant and equipment and their estimated useful lives are summarized below:

	<u>Estimated Useful Life</u>
Building - Administration	40 Years
Treatment Plant	40 Years
Transmission Facilities	40 Years
Equipment/Vehicles	5 Years
Office Furniture/Fixtures	5 Years

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 4: Long-Term Debt

On July 1, 1995, the Authority issued its "Water and Sewer Revenue Refunding Bonds (1995 Series A)" in the amount of \$4,795,000. The Bonds were issued to provide funds: (i) to currently refund \$1,770,000 principal amount of Water and Sewer Revenue Bonds (Series A) (being those bonds maturing December 15, 1995 and thereafter) (the "1986 Series A Bonds"); (ii) to advance refund \$2,565,000 outstanding principal amount of Water and Sewer Revenue Bonds (Series B) (being those bonds maturing on and after December 15, 1995) (the "1990 Series B Bonds") which have been issued by the Authority for or with respect to the Authority's System and which are presently outstanding; (iii) to pay the cost of a bond insurance premium and (iv) to pay the costs and expenses incidental to the issuance and delivery of the Bonds.

On November 1, 1996, the Authority issued its "1996 Wastewater Trust Financing Bonds" in the amount of \$9,263,203. The bonds were issued to provide funds to construct a .3 million gallon per day wastewater treatment plant to serve the Parker Acres and Long Valley Center area of the Township, and construction and installation of a sanitary sewage collection system in the Long Valley area of the Township, including pumping stations and force mains, together with all necessary and incidental laterals, manholes, fittings, connections, equipment, apparatus, structures and appurtenances and including all real property or rights-of-way, easements and other interests therein, and all personal property necessary or desirable for the efficient construction and operation of such facilities.

During 2005, the Authority issued \$2,265,000 refunding bonds dated December 15, 2005 with interest rates ranging from 3.00% to 4.00%. The proceeds of these bonds were used to refund \$2,215,000 of the Authority's 1995 Series A bonds, make a deposit to the bond reserve fund and pay certain costs of issuance in connection with the refunding bonds. The refunding met the requirements of an in-substance debt defeasance and the 1995 Series A Bonds were removed from the Authority's government-wide financial statements.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 4: Long-Term Debt (Cont'd)

Maturity Schedule Giving Effect to the  
"Water and Sewer Revenue Refinancing Bonds (of 2005)"

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	4.00%	140,000	57,200	197,200
2012	4.00%	145,000	51,600	196,600
2013	4.00%	150,000	45,800	195,800
2014	4.00%	155,000	39,800	194,800
2015	4.00%	165,000	33,600	198,600
2016	4.00%	170,000	27,000	197,000
2017	4.00%	180,000	20,200	200,200
2018	4.00%	180,000	13,000	193,000
2019	4.00%	145,000	5,800	150,800
		<u>1,430,000</u>	<u>294,000</u>	<u>1,724,000</u>
Less: Short-Term Portion		<u>140,000</u>	<u>57,200</u>	<u>197,200</u>
Long-Term Portion		<u>\$ 1,290,000</u>	<u>\$ 236,800</u>	<u>\$ 1,526,800</u>

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 4: Long-Term Debt (Cont'd)

Maturity Schedule Giving Effect to the 1996 Wastewater Trust Financing Bonds

<u>Year</u>	<u>Fund Loan Principal</u>	<u>Trust Loan Principal</u>	<u>Total Principal</u>	<u>Trust Loan Interest</u>	<u>Total Debt Service</u>
2011	\$ 246,253	\$ 310,000	\$ 556,253	\$ 112,088	\$ 668,341
2012	248,426	330,000	578,426	95,812	674,238
2013	247,070	345,000	592,070	78,488	670,558
2014	248,171	365,000	613,171	60,375	673,546
2015	245,742	380,000	625,742	41,212	666,954
2016	248,689	405,000	653,689	10,631	664,320
	<u>1,484,351</u>	<u>2,135,000</u>	<u>3,619,351</u>	<u>398,606</u>	<u>4,017,957</u>
Less:					
Short-Term Portion	<u>246,253</u>	<u>310,000</u>	<u>556,253</u>	<u>112,088</u>	<u>668,341</u>
Long-Term Portion	<u>\$ 1,238,098</u>	<u>\$ 1,825,000</u>	<u>\$ 3,063,098</u>	<u>\$ 286,518</u>	<u>\$ 3,349,616</u>

On October 1, 1998, the Authority issued \$4,285,066 "Water and Sewer Revenue (1998 Series A) (Capital Appreciation Bonds)" and \$490,000 "Water and Sewer Revenue Bonds (1998 Series B)" for a total of \$4,775,066. The Bonds were issued to provide bonds: (i) to currently refund and permanently finance \$3,765,000 principal amount of 1996 Project Notes (Series C) maturing October 15, 2000; (ii) to pay the costs of sewer and water system improvements' (iii) to make a deposit to the Bond Reserve Fund; (iv) to pay the cost of a bond insurance premium; and (v) to pay the costs and expenses incidental to the issuance and delivery of the Bonds.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 4: Long-Term Debt (Cont'd)

Maturity Schedule Giving Effect to the  
"Water and Sewer Revenue Refunding Bonds (1998 Series A&B)"

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	4.50%	\$ 120,321	\$ 89,659	\$ 209,980
2012	4.60%	117,796	89,773	207,569
2013	4.80%	117,796	96,174	213,970
2014	4.85%	110,264	100,130	210,394
2015	4.875%	108,151	104,489	212,640
2016	4.90%	104,703	100,127	204,830
2017	4.90%	370,261	507,959	878,220
2018	4.90%	354,892	526,718	881,610
2019	4.90%	301,484	538,516	840,000
2020	4.95%	356,875	698,125	1,055,000
2021	5.00%	336,028	718,972	1,055,000
2022	5.00%	319,834	735,166	1,055,000
2023	5.00%	304,420	750,580	1,055,000
2024	5.00%	289,756	765,244	1,055,000
2025	5.00%	275,788	779,212	1,055,000
2026	5.00%	262,505	792,495	1,055,000
2027	5.00%	249,855	805,145	1,055,000
		<u>4,100,729</u>	<u>8,198,484</u>	<u>12,299,213</u>
Less: Short-Term Portion		<u>120,321</u>	<u>89,659</u>	<u>209,980</u>
Long-Term Portion		<u>\$ 3,980,408</u>	<u>\$ 8,108,825</u>	<u>\$ 12,089,233</u>

Note 5: Pension

Authority employees are enrolled in the Public Employees' Retirement System (PERS) of New Jersey. The State of New Jersey sponsors and administers the plan which covers substantially all Authority employees. As a general rule, all full-time employees are eligible to join the public employees' retirement system.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 5: Pension (Cont'd)

Employees who are members of PERS and retire at a specific age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on percentages of 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the Fund. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Authority contributions to the plan amounted to \$35,420, \$38,137, and \$27,239 for 2010, 2009 and 2008, respectively. The annual pension cost ("APC") for PERS differed from the net pension obligation ("NPO") due to the enactment of Chapter 114, P.L. 1997 for 2008 as the APC was \$53,178 and the NPO was \$42,542.40.

Note 6: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

Interest Rate Risk – In accordance with its cash management plan, the Authority ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Authority limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below and on the following page.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Authority to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2010, cash and cash equivalents of the Washington Township Municipal Utilities Authority consisted of the following:

<u>Fund</u>	<u>Checking Savings &amp; Money Market Accounts</u>	<u>Certificate of Deposit</u>	<u>Total</u>
Unrestricted	\$ 1,595,287	\$ 75,000	\$ 1,670,287
Bond Reserve	121,149		121,149
Renewal and Replacement	81,847		81,847
General Account	938,104		938,104
Unemployment Compensation	4,355		4,355
Escrow Deposit	153,174		153,174
Debt Service Account (1998 Series A & B)	1,558		1,558
Bond Reserve account (1998 Series A)	281,281		281,281
Bond Reserve account (1998 Series B)	26,466		26,466
Bond Service Reserve (2005 Series)	1		1
	<u>\$ 3,203,222</u>	<u>\$ 75,000</u>	<u>\$ 3,278,222</u>

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

During the year ended December 31, 2010 the Authority did not hold any investments. The carrying amount of the Washington Township Municipal Utilities Authority's cash and cash equivalents at year end was \$3,278,222 and the bank balance was \$3,420,058.

Note 7 - Loss on Advance Refunding (2005 Series)

During 2005, the Authority issued Water and Sewer Revenue Refunding Bonds (2005 Series) for \$2,265,000 with interest rates which range from 3.00% to 4.00%. These Bonds were issued to 1) refund \$2,215,000 principal amount of Water and Sewer Revenue Bonds (1995 Series A) (being those bonds maturing December 15, 2005 and thereafter), 2) to make a deposit to the bond reserve fund, and 3) to pay the costs and expenses incidental to the issuance and delivery of the Bonds. The net proceeds of \$2,820,059 (which includes funds previously on hand of \$526,595 and after payment of \$111,925 in underwriting fees and other issuance costs and \$113,250 deposited into the Bonds Reserve Fund) were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Series A Bonds. As a result, the 1995 Series A Bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets.

Although the advance refunding resulted in the recognition of an accounting loss of \$101,688 for the year ended December 31, 2005, the Authority reduced its aggregate debt service payments by approximately \$648,038 over the next 14 years, and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$301,418.

The loss on the advance refunding of \$101,688 is being amortized over the life of the issue of 14 years on a straight-line basis. During 2010, \$7,263 was amortized. The unamortized Loss on Advance Refunding balance was \$65,371 at December 31, 2010.

Note 8 - Loss on Advance Refunding (1995 Series A)

During 1995, the Authority issued Water and Sewer Revenue Refunding Bonds (1995 Series A) for \$4,795,000 with interest rates which range from 3.75% to 5.625%. These Bonds were issued to 1) currently refund \$1,770,000 principal amount of Water and Sewer Revenue Bonds (Series A) (being those bonds maturing December 15, 1995 and thereafter) (the "1986 Series A Bonds"); 2) to advance refund \$2,565,000 outstanding principal amount of Water and Sewer Revenue Bonds (Series B) (being those bonds maturing on and after December 15, 1995 (the "1990 Series B Bonds") which have been issued by the Authority for or with respect to the Authority's System and which are presently outstanding; 3) to pay the cost of a bond insurance premium; and 4) to pay the costs and expenses incidental to the issuance and delivery of the Bonds. The net proceeds of \$4,658,202 (which includes funds previously on hand of \$235,031 and after payment of \$213,148 in underwriting fees and other issuance costs and \$158,681 deposited into the Bond Reserve Fund) were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1986 and 1990 Series Bonds. As a result, the 1986 and 1990 Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
 (Continued)

Note 8 - Loss on Advance Refunding (1995 SeriesA) (Cont'd)

Although the advance refunding resulted in the recognition of an accounting loss of \$199,038 for the year ended December 31, 1995, the Authority reduced its aggregate debt service payments by approximately \$464,000 over the next 25 years, and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$291,262.

The loss on the advance refunding of \$199,038 is being amortized over the life of the issue of 24-1/2 years on a straight-line basis. During 2010, \$8,124 was amortized. The unamortized Loss on Advance Refunding balance was \$73,116 at December 31, 2010.

Note 9 - Recognition of Depreciation Expense Versus Bond Principal for Budget Purposes

The State of New Jersey Local Finance Board's "Budget Manual for Local Public Authorities" allows authorities to either budget for depreciation expense or bond principal. In the official budget document submitted to the State, the Authority budgeted \$803,372 for bond principal in lieu of depreciation expense. In the Authority's internal budget document, both bond principal of \$803,372 and depreciation expense of \$751,635 were included. The actual depreciation expense is therefore not reflected on the supplementary "Schedule of Water and Sewer Operating Fund Revenue and Expenditures Compared to Budget" since it was not budgeted for on the state budget document.

Note 10 - Risk Management

The Authority is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

The Authority is currently a member of the Public Alliance Insurance Coverage Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep expenses at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

The following coverages are offered by the Fund to its members:

- a) Workers' Compensation and Employers Liability
- b) Liability Other Than Motor Vehicles
- c) Property Damage Other Than Motor Vehicles
- d) Motor Vehicle
- e) Environmental

As a member of the Fund, the Authority could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 10 - Risk Management (Cont'd)

The December 31, 2010 audit report of the Fund is not available as of the date of this report.

Selected, summarized financial information for the Fund as of December 31, 2009 is as follows:

	<u>Public Alliance Insurance Coverage Dec. 31, 2009</u>
Total Assets	\$ 11,989,120
Net Assets	\$ 3,300,087
Total Revenue	\$ 8,513,112
Total Expenses	\$ 10,761,326
Changes in Net Assets	\$ (2,248,214)
Net Asset Distribution to Participating Members	\$ -

Financial statements for the Fund are available at the office of the Fund's Executive Director:

Public Alliance Insurance Coverage Fund

Public Entity Group Administrative Services  
51 Everett Drive  
Suite B-40  
West Windsor, NJ 08550  
(609) 275-1155

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

Note 11: Intraentity and Interfund Transfers

In the normal course of business, the Authority will, from time to time, authorize advances between accounts. During 2010, the Authority transferred \$435,355 between restricted and unrestricted accounts based on the bond provisions. There were no advances outstanding as of December 31, 2010.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 12: Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations to provide sewer service for its customers including other local governments. Below is a summary of the significant contracts or agreements:

- The Authority has extended its annual needs contract for transportation and disposal of liquid sludge to Accurate Waste. The cost for service is \$0.0274 per gallon. In this one year contract, the Authority reserves the right to extend the contract for two additional one year periods or one additional two year period.
- The Authority has an ongoing contract with Passaic Valley Sewerage Commissioners for disposal services of residual sludge waste. The cost of this service is \$0.040 per gallon.
- The Authority has intermunicipal service agreements with other local government agencies, namely:
  1. The Township of Washington
  2. The Township of Tewksbury

Note 13: Accounts Payable

Accounts payable were as follows:

	2010	2009
Vendors	\$ 68,303	\$ 235,488

Note 14: Environmental Matters

The Authority's past and present daily operations include activities which are subject to extensive federal and state environmental regulations. Compliance with these regulations has not had, nor does the Authority expect such compliance to have, any material effect upon expected capital expenditures, net income, financial condition or competitive position of the Authority. The Authority believes that their current practices and procedures comply with applicable regulations. The Authority's policy is to accrue environmental and related costs of a noncapital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

Note 15: Contingencies

The Authority is periodically involved in various lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

The Authority may participate in federal and state assisted grant programs. These programs would be subject to financial and compliance audits by the grantors or their representatives. In the opinion of Authority Management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

WASHINGTON TOWNSHIP MUNICIPAL

UTILITIES AUTHORITY

SUPPLEMENTARY DATA

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
RESTRICTED AND UNRESTRICTED FUNDS  
YEAR ENDED DECEMBER 31, 2010  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	Unrestricted		Invested in Capital Assets, Net of Related Debt	Memo Total	
	Undesignated	Restricted		2010	2009
Operating Revenue:					
Water Charges	\$ 1,065,428			\$ 1,065,428	\$ 959,946
Sewer Charges	2,181,775			2,181,775	2,141,087
Connection Fees	18,675			18,675	180,792
Other Income	191,433			191,433	54,893
Total Operating Revenue	<u>3,457,311</u>			<u>3,457,311</u>	<u>3,336,718</u>
Operating Expenses:					
Water Transmission	880,865			880,865	875,080
Sewer Disposal	945,297			945,297	1,004,099
Depreciation	751,635			751,635	742,867
Total Operating Expenses	<u>2,577,797</u>			<u>2,577,797</u>	<u>2,622,046</u>
Operating Income	<u>879,514</u>			<u>879,514</u>	<u>714,672</u>
Nonoperating Revenue (Expenses):					
Interest Earned on Investments	27,054			27,054	42,849
Interest Expense - Debt Service	(269,418)			(269,418)	(286,729)
Amortization of Loss on Advance Refunding	(15,387)			(15,387)	(15,387)
Total Nonoperating Revenue (Expenses)	<u>(257,751)</u>			<u>(257,751)</u>	<u>(259,267)</u>
Increase in Net Assets (Before Transfers)	<u>621,763</u>			<u>621,763</u>	<u>455,405</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
RESTRICTED AND UNRESTRICTED FUNDS  
YEAR ENDED DECEMBER 31, 2010  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)  
 (continued)

	<u>Unrestricted</u>		Invested in Capital Assets, Net of Related Debt	<u>Memo Total</u>	
	<u>Undesignated</u>	<u>Restricted</u>		<u>2010</u>	<u>2009</u>
Transfers:					
Capital Acquisitions	(350,730)		350,730		
Principal Paid on Debt Service	(803,371)		803,371		
Depreciation	751,635		(751,635)		
Designated per Bond Sale Provisions	<u>(435,355)</u>	<u>435,355</u>			
Increase in Net Assets (After Transfers)	(216,058)	435,355	402,466	\$ 621,763	\$ 455,405
Net Assets, January 1	<u>2,078,619</u>	<u>1,019,406</u>	<u>10,443,099</u>	<u>13,541,124</u>	<u>13,085,719</u>
Net Assets, December 31	<u>\$ 1,862,561</u>	<u>\$ 1,454,761</u>	<u>10,845,565</u>	<u>\$ 14,162,887</u>	<u>\$ 13,541,124</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF SEWER OPERATING FUND REVENUE AND EXPENDITURES  
COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2010  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010 Final Budget	2010 Actual	Excess or (Deficit)	2009 Actual
Revenue:				
Operating Revenues:				
Service Fees	\$ 2,195,754	\$ 2,181,775	\$ (13,979)	\$ 2,141,087
Connection Fees	31,600	16,000	(15,600)	144,816
Total Operating Revenues	<u>2,227,354</u>	<u>2,197,775</u>	<u>(29,579)</u>	<u>2,285,903</u>
Non-Operating Revenues:				
Interest on Investments	12,400	24,997	12,597	38,908
Other Non-Operating Revenue	105,125	164,146	59,021	28,967
Total Non-Operating Revenue	<u>117,525</u>	<u>189,143</u>	<u>71,618</u>	<u>67,875</u>
Total Revenue	<u>2,344,879</u>	<u>2,386,918</u>	<u>42,039</u>	<u>2,353,778</u>
Budgeted Appropriations:				
Administration:				
Salaries & Wages	81,095	73,586	7,509	65,013
Fringe Benefits	31,202	26,662	4,540	30,299
Other Expenses	136,100	112,363	23,737	134,432
Total Administration	<u>248,397</u>	<u>212,611</u>	<u>35,786</u>	<u>229,744</u>
Cost of Providing Service:				
Salaries & Wages	240,091	231,530	8,561	248,421
Fringe Benefits	92,378	86,548	5,830	85,479
Other Expenses	455,720	414,608	41,112	440,455
Total Cost of Providing Service	<u>788,189</u>	<u>732,686</u>	<u>55,503</u>	<u>774,355</u>
Total Principal Payments on Debt Service in Lieu of Depreciation	<u>724,372</u>	<u>724,372</u>		<u>711,934</u>
Total Operating Appropriations	<u>1,760,958</u>	<u>1,669,669</u>	<u>91,289</u>	<u>1,716,033</u>
Non-Operating Appropriations:				
Bond Interest Expense	238,301	231,778	6,523	260,165
Operations and Maintenance Reserve	345,620		345,620	
Total Non-Operating Appropriations	<u>583,921</u>	<u>231,778</u>	<u>352,143</u>	<u>260,165</u>
Total Appropriations	<u>\$ 2,344,879</u>	<u>\$ 1,901,447</u>	<u>\$ 443,432</u>	<u>\$ 1,976,198</u>
		Operating Expenses		\$ 1,004,099
		Debt Service in Lieu of Depreciation	724,372	711,934
		Bond Interest Expense	231,778	260,165
		<u>\$ 1,901,447</u>		<u>\$ 1,976,198</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF WATER OPERATING FUND REVENUE AND EXPENDITURES  
COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2010  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010 Final Budget	2010 Actual	Excess or (Deficit)	2009 Actual
Revenue:				
Operating Revenues:				
Service Fees	\$ 1,211,121	\$ 1,065,428	\$ (145,693)	\$ 959,946
Connection Fees	30,900	2,675	(28,225)	35,976
Total Operating Revenues	<u>1,242,021</u>	<u>1,068,103</u>	<u>(173,918)</u>	<u>995,922</u>
Non-Operating Revenues:				
Interest on Investments	10,000	2,057	(7,943)	3,941
Other Non-Operating Revenue	10,220	27,287	17,067	14,152
Total Non-Operating Revenue	<u>20,220</u>	<u>29,344</u>	<u>9,124</u>	<u>18,093</u>
Total Revenue	<u>1,262,241</u>	<u>1,097,447</u>	<u>(164,794)</u>	<u>1,014,015</u>
Budgeted Appropriations:				
Administration:				
Salaries & Wages	136,680	135,182	1,498	134,261
Fringe Benefits	44,980	44,129	851	49,886
Other Expenses	144,143	134,989	9,154	142,159
Total Administration	<u>325,803</u>	<u>314,300</u>	<u>11,503</u>	<u>326,306</u>
Cost of Providing Service:				
Salaries & Wages	164,140	162,978	1,162	155,691
Fringe Benefits	44,097	42,479	1,618	57,860
Other Expenses	385,382	361,108	24,274	335,223
Total Cost of Providing Service	<u>593,619</u>	<u>566,565</u>	<u>27,054</u>	<u>548,774</u>
Total Principal Payments on Debt Service in Lieu of Depreciation	<u>79,000</u>	<u>79,000</u>		<u>77,000</u>
Total Operating Appropriations	<u>998,422</u>	<u>959,865</u>	<u>38,557</u>	<u>952,080</u>
Non-Operating Appropriations:				
Bond Interest Expense	37,640	37,640		26,564
Operations and Maintenance Reserve	226,179		226,179	
Total Non-Operating Appropriations	<u>263,819</u>	<u>37,640</u>	<u>226,179</u>	<u>26,564</u>
Total Appropriations	<u>\$ 1,262,241</u>	<u>\$ 997,505</u>	<u>\$ 264,736</u>	<u>\$ 978,644</u>
		Operating Expenses		\$ 875,080
		Debt Service in Lieu of		
		Depreciation	79,000	77,000
		Bond Interest Expense	37,640	26,564
		<u>\$ 997,505</u>		<u>\$ 978,644</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF WATER AND SEWER REVENUE BONDS PAYABLE

	<u>Original</u>		<u>Interest</u>	<u>Maturities</u>		<u>Balance</u>	<u>Matured</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>		<u>Rate</u>	<u>Date</u>			
Refinancing Issue of 2005	12/15/05	\$ 2,265,000	4.00%	12/15/2011	\$ 140,000	\$ 1,565,000	\$ 135,000	\$ 1,430,000
			4.00%	12/15/2012	145,000			
			4.00%	12/15/2013	150,000			
			4.00%	12/15/2014	155,000			
			4.00%	12/15/2015	165,000			
			4.00%	12/15/2016	170,000			
			4.00%	12/15/2017	180,000			
			4.00%	12/15/2018	180,000			
			4.00%	12/15/2019	145,000			
Issue of 1998 - Series A +B	10/1/98	4,775,066	4.50%	12/15/2011	120,321	4,227,563	126,834	4,100,729
			4.60%	12/15/2012	117,796			
			4.80%	12/15/2013	117,796			
			4.85%	12/15/2014	110,264			
			4.875%	12/15/2015	108,151			
			4.90%	12/15/2016	104,703			
			4.90%	12/15/2017	370,261			
			4.90%	12/15/2018	354,892			
			4.90%	12/15/2019	301,484			
			4.95%	12/15/2020	356,875			
			5.00%	12/15/2021	336,028			
			5.00%	12/15/2022	319,834			
			5.00%	12/15/2023	304,420			
			5.00%	12/15/2024	289,756			
			5.00%	12/15/2025	275,788			
			5.00%	12/15/2026	262,505			
			5.00%	12/15/2027	249,855			
						<u>\$ 5,792,563</u>	<u>\$ 261,834</u>	<u>\$ 5,530,729</u>
Balance Comprised of:								
Short - term portion						\$ 261,834	1,513	\$ 260,321
Long - term portion						<u>5,530,729</u>	<u>\$ 260,321</u>	<u>5,270,408</u>
						<u>\$ 5,792,563</u>	<u>\$ 261,834</u>	<u>\$ 5,530,729</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY WASTEWATER TREATMENT FINANCING BONDS PAYABLE

Balance January 1, 2010	\$ 4,160,888
Less - Bonds Matured	<u>541,537</u>
Balance December 31, 2010	<u>\$ 3,619,351</u>

## Analysis of Balance @ 12-31-10

Year	Total	Fund Loan Principal	Trust Loan Principal
2011	\$ 556,253	\$ 246,253	\$ 310,000
2012	578,426	248,426	330,000
2013	592,070	247,070	345,000
2014	613,171	248,171	365,000
2015	625,742	245,742	380,000
2016	653,689	248,689	405,000
	<u>\$ 3,619,351</u>	<u>\$ 1,484,351</u>	<u>\$ 2,135,000</u>

Balance Comprised of:			
Short-term portion	\$ 556,253	\$ 246,253	\$ 310,000
Long-term Portion	<u>3,063,098</u>	<u>1,238,098</u>	<u>1,825,000</u>
	<u>\$ 3,619,351</u>	<u>\$ 1,484,351</u>	<u>\$ 2,135,000</u>

WASHINGTON TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY

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SINGLE AUDIT SECTION  
YEAR ENDED DECEMBER 31, 2010

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010

<u>Name of Federal Agency or Department</u>	<u>Federal Program</u>	<u>C.F.D.A. Account No.</u>	<u>Federal Grant Award Amount</u>	<u>Grant Period</u>		<u>Program Assistance Received</u>	<u>Program Expenditures</u>
				<u>From</u>	<u>To</u>		

NOT APPLICABLE

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2010

<u>Name of State Agency or Department</u>	<u>State Program</u>	<u>Program Account No.</u>	<u>State Grant Award Amount</u>	<u>Grant Period</u>		<u>Program Assistance Received</u>	<u>Program Expenditures</u>
				<u>From</u>	<u>To</u>		

NOT APPLICABLE

SEE NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2010

Note 1. GENERAL

The accompanying schedules of state and federal awards presents the activity of all state and federal award programs of the Washington Township Municipal Utilities Authority. The Authority is defined in Note 1 to the Authority's financial statements. All state and federal awards received directly from state agencies, as well as state and federal awards passed through other government agencies is included on the schedules of state and federal awards.

Note 2. BASIS OF PRESENTATION

The accompanying schedules of expenditures of state and federal awards includes the state and federal grant activity and are presented on the cash basis of accounting. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' 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 Honorable Chairman and Members  
 of the Washington Township Municipal  
 Utilities Authority  
 Long Valley, NJ

We have audited the financial statements of the Washington Township Municipal Utilities (the "Authority") as of, and for the years ended, December 31, 2010 and 2009 and have issued our report thereon dated March 29, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the auditing requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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 opinions on the financial statements, but not for the purpose of providing 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 the 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.

The Honorable Chairman and Members  
of the Washington Township Municipal  
Utilities Authority  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*. However, we noted a certain matter that we have reported to management in the comments and recommendations section of this report.

This report is intended solely for the information and use of management, and to meet the requirements for filing with the Division, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than those specified parties.

Mt. Arlington, New Jersey  
March 29, 2011

NISIVOCIA LLP



William F. Schroeder  
Certified Public Accountant  
Registered Municipal Accountant #452

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the Authority's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the Authority.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the Authority.
- The Authority was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grant, State Grants and State Aid* for 2010 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the threshold defined in New Jersey's OMB Circular NJOMB 04-04.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the threshold defined in Federal OMB Circular A-133.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2010

The Authority had one finding during the prior year relating to the segregation of duties (09-1) which was resolved during 2010.

COMMENTS AND RECOMMENDATIONS

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids

N.J.S.A. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

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 advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2005 the bid threshold in accordance with N.J.S.A 40A:11-3 and 40A:11-4 (as amended) is \$21,000 and with a qualified purchasing agent the threshold may be up to \$29,000.

Effective July 1, 2010 the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000 and with a qualified purchasing agent the threshold may be up to \$36,000.

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Authority Attorney's opinion should be sought before a commitment is made.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Contracts and Agreements Required Advertisement for Bids (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Analysis of Escrow Deposits Payable

The Authority currently does not maintain an analysis by individual of its escrow deposits payable. When an individual requests a refund of their deposit on a completed project, the Authority must research that individual's transactions to determine the amount to be refunded.

It is recommended that an analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

Management's Response

The Authority continued to analyze the activity in escrow deposits payable during 2010, but did not complete it. The Authority will attempt to finalize the analysis of the activity in the escrow deposits payable account by individual during the year 2011.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

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