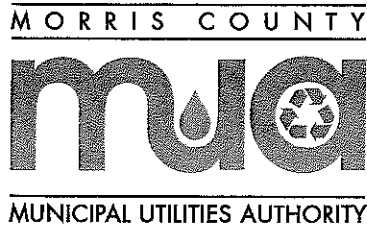


MORRIS COUNTY MUNICIPAL  
UTILITIES AUTHORITY  
COUNTY OF MORRIS  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
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YEARS ENDED DECEMBER 31, 2008 AND 2007

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March 23, 2009

The Honorable Chairman and Members  
of the Morris County Municipal Utilities Authority  
Morristown, NJ

Dear Authority Members:

The comprehensive annual financial report of the Morris County Municipal Utilities Authority (the "Authority") for the years ended December 31, 2008 and 2007, 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 comprehensive annual financial report is presented in three sections: introductory, financial and single audit. 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 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 1958 as a public body corporate and politic of the State of New Jersey by the Board of Chosen Freeholders of the County of Morris pursuant to N.J.S.A. 40:14B-1 et seq. The Authority was established to protect the County water supply and prevent further diversion to areas outside the County. The Authority is currently using two well field sites (Alamatong and Flanders Valley). The Authority supplies water to the Townships of Randolph, Roxbury, Denville, Jefferson, Parsippany-Troy Hills and Mine Hill, Boroughs of Mount Arlington and Wharton, the Southeast Morris County M.U.A., and the New Jersey American Water Company. The Authority provides reliable high quality supplies of potable water used for drinking, irrigation, fire protection and other purposes. The Frank J. Markewicz pump facility, located in Randolph Township, is the primary operating and monitoring facility for the water operations.

On September 23, 1987, the Board of Chosen Freeholders of the County of Morris designated the Authority as the agency to design and construct a solid waste system, including transfer stations, solid waste disposal facilities and other facilities for the collection, treatment and disposal of solid waste. This is to be accomplished in accordance with the solid waste management plan of Morris County, as amended from time to time.

The Honorable Chairman and Members  
 Of the Morris County Municipal Utilities Authority  
 Page 2  
 March 23, 2009

REPORTING ENTITY AND ITS SERVICES: (Cont'd)

Trash transfer facilities are located in Parsippany and Mount Olive Townships. These facilities, located in the east and west portions of the county, process and compact all trash from Morris County for shipment to landfills located outside of New Jersey, primarily Pennsylvania. The Authority also provides pickup services to municipalities for recyclable solid waste, i.e. paper of various types, as well as plastic, metal and glass containers. The Authority also provides vegetative waste processing at Parsippany and Mount Olive Townships. These sites collect from various sources - trees, branches, leaves, and process these materials into mulch and compost. The end products are sold to county residents and landscapers. The Authority also has built and operates a household hazardous waste collection facility co-located with the Mount Olive transfer station. This facility accepts hazardous waste from residents and businesses within the county and ships it for processing to various companies. Lastly, the Authority also provides recycling educational programs aimed at schools and the business communities.

The Authority is a legally separate organization, whose members are appointed by the Board of Chosen Freeholders. Financial transactions are processed and accounted for by the Authority's financial administration. The County has provided the Authority with long term loans for capital and operating needs. These loans, for the most part were interest free with a few exceptions. The County also issued bond anticipation notes for the acquisition of the transfer stations. This debt was not interest free and was paid by the Authority. Accordingly, the Authority should be considered a component unit of the County of Morris under the provisions of Governmental Accounting Standards Board Codification Section 2100 "Defining the Financial Reporting Entity".

General Trends and Significant Events

During 2008, the Authority celebrated its 50 year anniversary.

During 2008, the Authority's water division experienced the following:

- The Authority repaid \$110,990 to the County for the balance of the loan agreement.
- Amended water rate to increase to \$1.978/million gallons.
- The Authority continues condemnation proceedings for property along the Rockaway river, however the Rockaway Basin well allocation was rejected by the NJDEP.
- Awarded contract to replace Alamatong well #6 and well pump and installation with wellhouse alterations.

During 2008, the Authority's solid waste division experienced the following:

- The Authority continued to improve and upgrade the transfer stations as part of a multi-year program.
- The Authority continued to replace its fleet of vehicles and equipment to meet demands from the municipalities for recycling pickup operations.
- The federal litigation commenced by Solid Waste Services, Inc. d/b/a J.P. Mascaro & Sons against the Authority to set aside the five year solid waste contract to Waste Management of New Jersey, Inc. was fully resolved in favor of the Authority.

The Honorable Chairman and Members  
Of the Morris County Municipal Utilities Authority  
Page 3  
March 23, 2009

**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 7. 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, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds which are covered under the Morris County Insurance Fund.

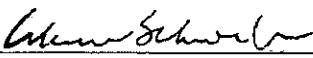
**OTHER INFORMATION:**


**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company 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 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.

**ACKNOWLEDGEMENTS:**

We would like to express our appreciation to the members of the Morris County Municipal Utilities Authority for their concern in providing fiscal accountability to the citizens of Morris County 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,

  
\_\_\_\_\_  
Glenn Schweizer  
Executive Director

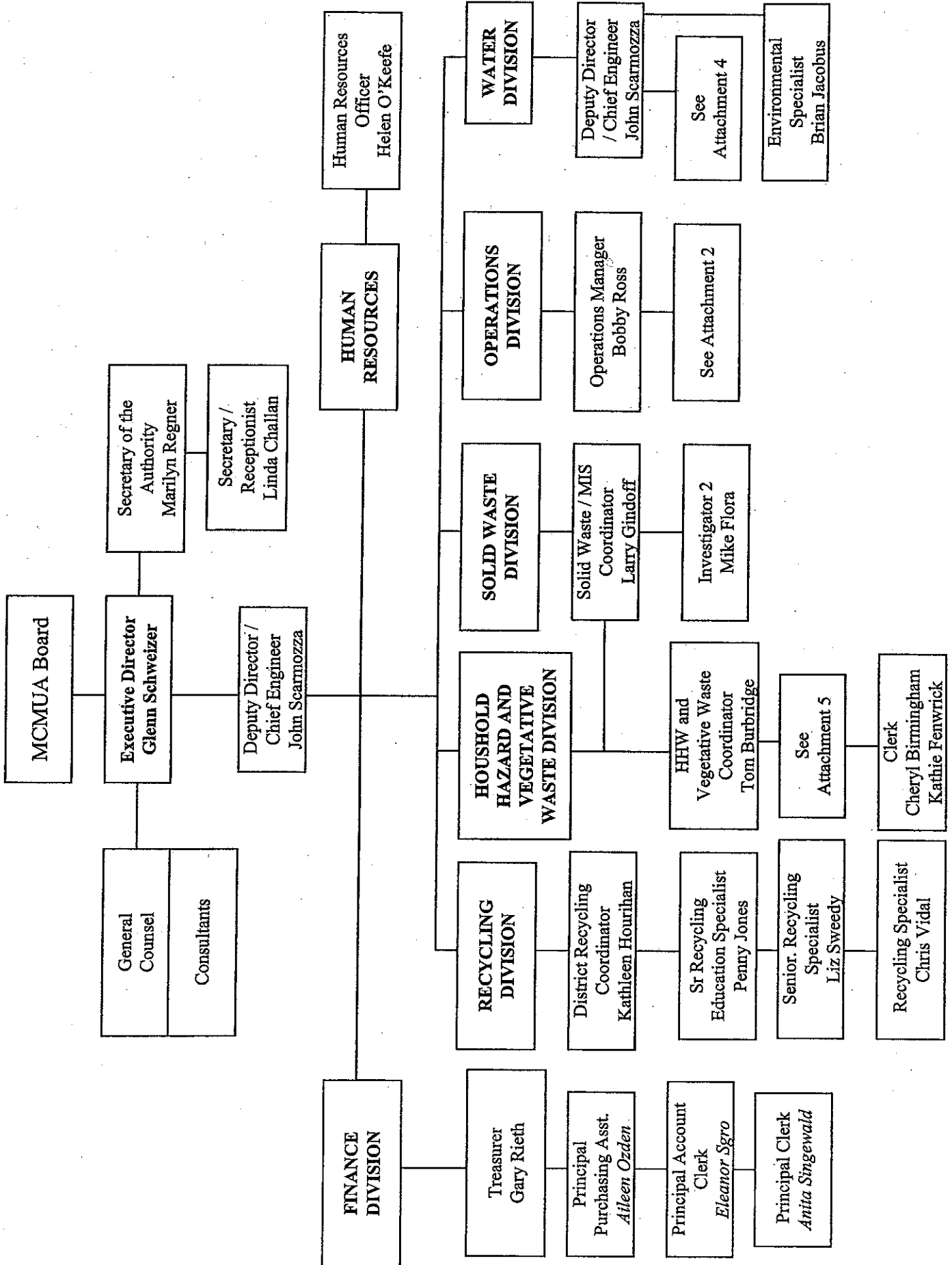
  
\_\_\_\_\_  
Gary Rieth  
Chief Financial Officer

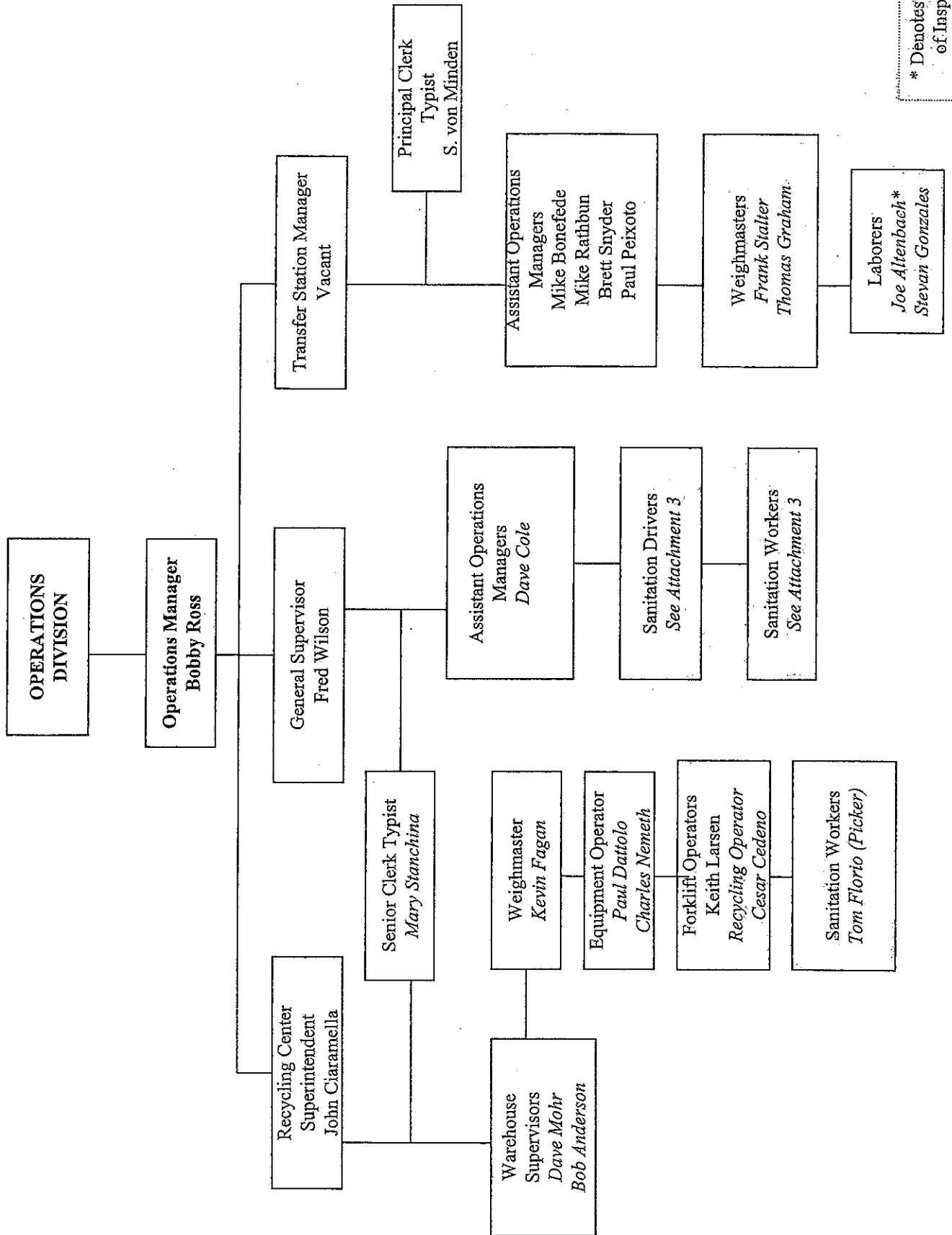
MORRIS COUNTY  
MUNICIPAL UTILITIES AUTHORITY

Organizational Chart

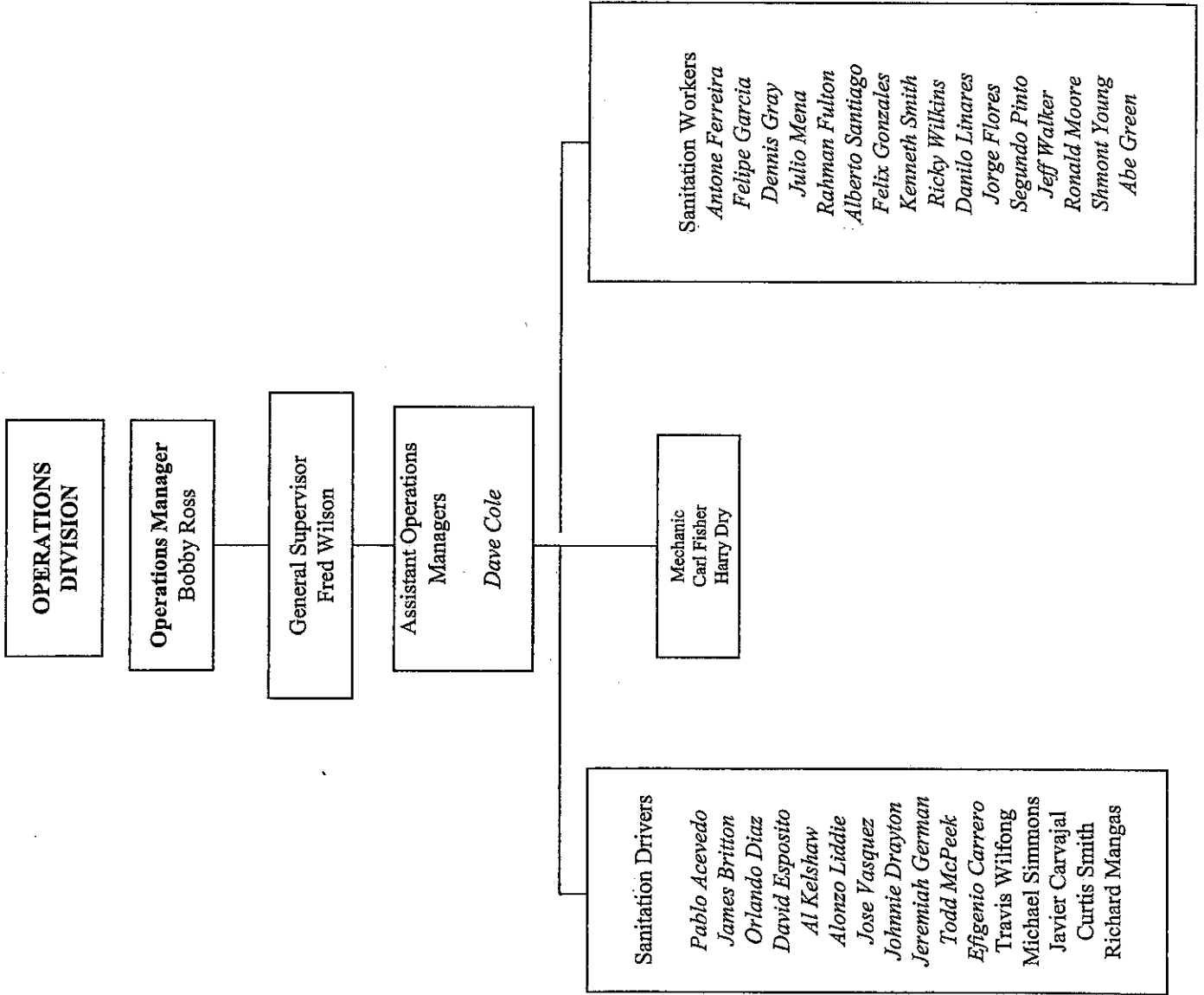
Organizational Charts organized by groups. Please note names in  
italics indicate union employee.

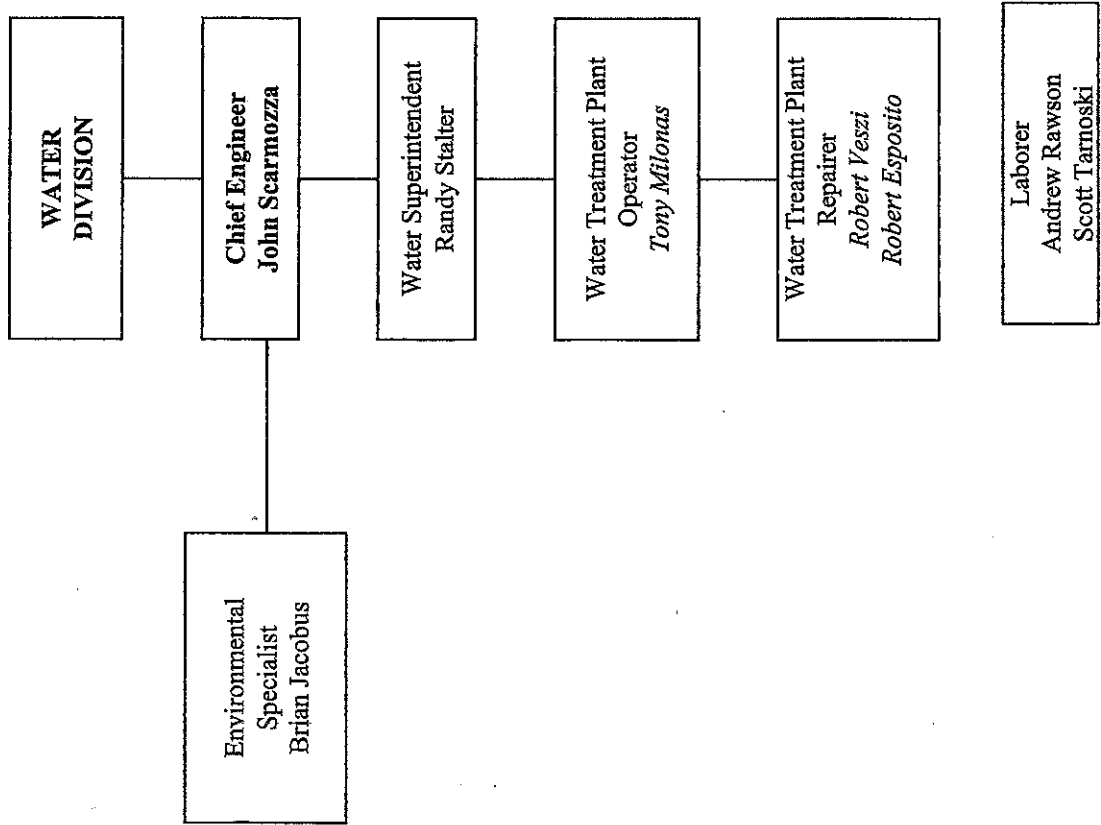
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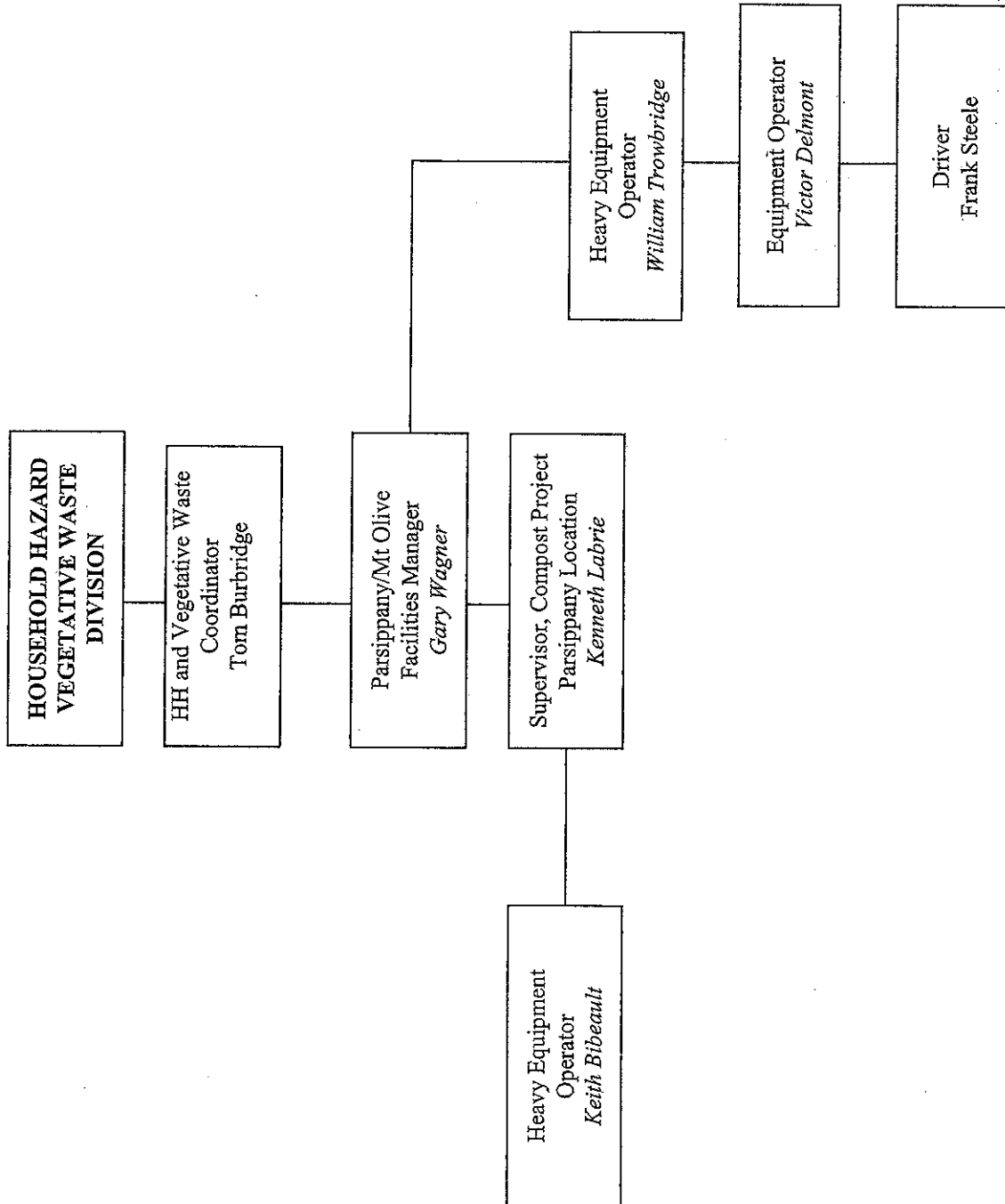




\* Denotes position of Inspector







MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

DECEMBER 31, 2008

Board Members

William Hudzik	Chairperson
Richard L. Plambeck	Vice Chairperson
James Barry	Board Member
Frank Druetzler	Board Member
Donald Hertel	Board Member
Dr. Dorothea Kominos	Board Member
Herman Nadel	Board Member
Dr. Arthur Nusbaum	Board Member
Laura Szwak	Board Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

Joseph J. Maraziti, Jr., Esq.  
Maraziti, Falcon & Healey  
150 John F. Kennedy Parkway  
Short Hills, NJ 07078

FINANCIAL SECTION

Mount Arlington Corporate Center  
200 Valley Road Suite 300  
Mount Arlington, NJ 07856-1320  
Phone: 973-328-1825  
Fax: 973-328-0507

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860  
Phone: 973-383-6699  
Fax: 973-383-6555

### Independent Auditors' Report

The Honorable Chairman and Members  
of the Morris County Municipal  
Utilities Authority  
Morristown, NJ

We have audited the financial statements of the Morris County Municipal Utilities Authority (the "Authority"), a component unit of the County of Morris, as of and for the years ended December 31, 2008 and 2007, 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 "New Jersey Local Authorities Accounting Principles and Auditing Standards Manual" issued by the Department of Community Affairs, Division of Local Government Services, 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 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 opinions.

As discussed in Note 4 to the financial statements, the Authority has received loans from the County of Morris. Part of the proceeds of these loans was used for the acquisition of various land sites for the purpose of developing water resource projects. Additionally, the Authority does not realize revenue from the County of Morris' use of Authority-owned land. In our opinion, generally accepted accounting principles require that a reasonable rate of interest expense be imputed on the loans and be reflected in the related financial statements and that revenue be realized from the County's use of Authority-owned land. Currently, the Authority does not impute a reasonable interest rate on the loans from the County of Morris and does not realize revenue from the County's use of Authority-owned land. The effects on the financial statements of these departures from accounting principles generally accepted in the United States of America and accounting principles prescribed by the Division, although not reasonably determined, are presumed to be material.

In our opinion, except for the effects of not realizing revenue from the County's use of Authority-owned land and of not imputing a reasonable interest rate on the loans from the County of Morris, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Morris County Municipal Utilities Authority as of December 31, 2008 and 2007, and the respective changes in financial positions and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Honorable Chairman and Members  
of the Morris County Municipal  
Utilities Authority  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2009, on our consideration of the Authority's internal control over financial reporting and 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 Management's Discussion and Analysis (MD&A) and the information included in the section entitled "Supplementary Information" in the table of contents, except schedules 6 through 9, are not a required part of the 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 required supplemental 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 collectively comprise the basic financial statements. Schedule 6 "Schedule of Revenue and Expenditures Compared to Budget", and Schedule 7, "Comparative Statement of Operations and Changes in Operating Fund Balance" are prepared on the modified accrual basis which is not in conformity with generally accepted accounting principles. These schedules and schedules 8 and 9 are prepared only for the information of management and are not intended to present the Authority's financial position or results of operations. This information has been subjected to the auditing procedures applied in the audits of the financial statements mentioned above and, in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole, on the modified accrual basis of accounting as described in Note 20. The accompanying Schedule of Expenditures of State Awards is also presented for purposes of additional analysis as required by 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 NJ OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audits of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole on the basis of accounting described in Note 1 to the financial statements and Note 2 to the Schedules of Expenditures of Federal and State Awards.

Mt. Arlington, New Jersey  
March 23, 2009

NISIVOCIA & COMPANY LLP



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

## MANAGEMENT DISCUSSION AND ANALYSIS

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 repaid the remainder of its water debt due to the County of \$110,990.
- During fiscal year 2008, the Authority shipped 428,745 tons of solid waste to the landfills. This is 48,030 tons less than 2007 or a 10% decrease.
- In addition to the above, the Authority's recycling of various types of recyclable waste removed 19,783 tons from the waste stream. This is compared to 20,589 tons collected during 2007, which represents a 3.9% decrease. The Household Hazardous Waste (HHW) facility eliminated another 149.46 tons of hazardous waste from the waste stream. Additionally, several HHW/UCE collection events were conducted in the County. A total of 3,754 participants delivered another 182.36 tons of HHW/UCE material. This is significant for several reasons. The first being the removal of harmful chemicals which, if disposed of illegally, could impact the aquifer water quality. Also, it allows for the capture of precious metals used in the manufacture of computers and various other types of equipment.
- For fiscal year 2008, the Authority delivered 1.650 billion gallons of potable water compared to 1.704 billion gallons delivered in 2007. This represents a decrease of 3.2%.
- Combined operating revenues were \$44.8 million, a decrease from 2007 of \$2.0 million. This was a decrease of 4.31%.

## **Overview of the Financial Statements**

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the basic 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; notes to the financial statements, and supplementary data.

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 revenues, 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 additional information essential to a full understanding of the Authority's financial statements.

The *supplementary data* provides detailed comparison of budget to actual expenses and other information.

## **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 decreased from the prior year by over \$2.2 million. The analysis below focuses on the Authority's net assets (Table I) and changes in net assets (Table 2) as compared to the prior year.

**Financial Conditions (Cont'd)**

	December 31,		Increase/ (Decrease) from 2007	Percentage of Increase (Decrease)
	2008	2007		
Current and Other Assets	\$ 23,299,642	\$22,322,137	\$ 977,505	4.38%
Capital Assets	31,805,662	32,932,318	(1,126,656)	-3.42%
Total Assets	<u>55,105,304</u>	<u>55,254,455</u>	<u>(149,151)</u>	-0.27%
Long-Term Liabilities	3,728,762	376,151	3,352,611	891.29%
Current Liabilities	5,639,499	6,883,316	(1,243,817)	-18.07%
Total Liabilities	<u>9,368,261</u>	<u>7,259,467</u>	<u>2,108,794</u>	29.05%
Invested in Capital Assets, Net of Debt	31,805,662	32,821,328	(1,015,666)	-3.09%
Unrestricted	13,931,381	15,173,660	(1,242,279)	-8.19%
Total Net Assets	<u>\$ 45,737,043</u>	<u>\$47,994,988</u>	<u>\$ (2,257,945)</u>	-4.70%

Total net assets decreased 4.70%, which is mainly attributable to the recording of other postemployment benefits of \$3,307,300.

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.

	December 31,		Increase/ (Decrease) from 2007	Percentage of Increase/ Decrease
	2008	2007		
Operating Revenue	\$44,832,926	\$46,852,672	\$ (2,019,746)	-4.31%
Nonoperating Revenue	1,341,428	1,590,585	(249,157)	-15.66%
Total Revenue	<u>46,174,354</u>	<u>48,443,257</u>	<u>(2,268,903)</u>	-4.68%
Water Division	3,946,335	2,984,110	962,225	32.24%
Solid Waste Division	43,135,073	45,331,887	(2,196,814)	-4.85%
Depreciation	1,537,040	1,534,528	2,512	0.16%
Nonoperating Expenses	31,744	30,293	1,451	4.79%
Total Expenses	<u>48,650,192</u>	<u>49,880,818</u>	<u>(1,230,626)</u>	-2.47%
Loss Before Other Revenues	(2,475,838)	(1,437,561)	(1,038,277)	72.22%
Other	217,893	54,052	163,841	303.12%
Change in Net Assets	(2,257,945)	(1,383,509)	(874,436)	63.20%
Beginning Net Assets	<u>47,994,988</u>	<u>49,378,497</u>	<u>(1,383,509)</u>	-2.80%
Ending Net Assets	<u>\$45,737,043</u>	<u>\$47,994,988</u>	<u>\$ (2,257,945)</u>	-4.70%

### Results of Operations

**Operating Revenues:** Revenues from operations fall into several categories: Water Operations, Tipping Fees, Curbside Recycling, Consolidation Center Recycling, Vegetative Waste, and Household Hazardous Waste. Curbside recycling increased 10.35%, consolidation center receipts increased 74.76%, household hazardous waste receipts increased 6.67% and vegetative waste receipts increased 4.22% over 2007. However, tipping fee revenue decreased 7.44% and water charges decreased 1.05%.

**Capital Contributions and Grants:** Under the terms and conditions of a 1971 agreement with the County, the Authority is limited in its ability to incur long term debt. The Authority may issue temporary financing, i.e., Bond Anticipation Notes, however the aggregate may not exceed \$5,000,000. In previous years the County has issued debt on behalf of the Authority in excess of \$21,141,000 toward water infrastructure improvements. In addition, \$9,762,030 in temporary debt was previously issued to purchase two transfer stations. The balance of the water debt of \$110,990 was repaid in 2008. The balance of the solid waste debt as of December 31, 2008 is \$-0-.

The Authority realized revenue of \$392,879 in State grants. Of this amount, \$323,943 was used to operate the household hazardous waste facility.

**Expenses:** The Authority operates two trash transfer stations and a co-located household hazardous waste facility which provides recyclable waste pickup and disposal for approximately half of the municipalities in the county. In addition, the Authority operates a recycling center currently used for collection and bailing of paper waste for shipment to various customers and operates a vegetative waste facility for the collection of such waste into processed compost and mulch for sale to residents and businesses. Lastly, the Authority operates and maintains a potable water treatment and delivery system.

Total operating and nonoperating expenses decreased \$1,230,626 or 2.47% from 2007. The solid waste decrease was \$2,196,814 or 4.85%. The water increase was \$962,225 or 32.24%. Depreciation increased \$2,512 or .16% and non-operating expenses increased by \$1,451. The largest decrease in the solid waste division was in operation and maintenance of transfer stations and the largest increases in the water division were in electric power, capital improvements, contributed capital and legal expenses. In 2008, the Authority was required to record a liability for other postemployment benefits of \$3,307,300.

**Budgetary Highlights:** Over the course of the year, the Authority's Board of Directors approved amendments to the original adopted budget. Anticipated revenues and appropriations were increased from \$56,950,650 to \$57,260,190.

**Capital Assets:** As of December 31, 2008, the Authority had \$31.8 million invested in capital assets, including land, two transfer stations, a household hazardous waste facility, a recycling center, a vegetative waste facility and a potable water treatment and delivery system. This amount represents a decrease of \$1.13 million from the prior year.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the years ended December 31, 2008 and 2007. These changes are also presented in Note 2 to the financial statements.

	December 31,		Increase/ (Decrease) from 2007	Percentage of Increase/ (Decrease)
	2008	2007		
Land	\$ 3,955,215	\$ 3,955,215		0.00%
Transfer Stations	9,768,764	9,768,764		0.00%
Transmission Facilities	38,807,718	38,397,365	\$ 410,353	1.07%
Construction Work in Progress	171,888	171,857	31	0.02%
Total	52,703,585	52,293,201	410,384	0.78%
Less:				
Accumulated Depreciation	20,897,923	19,360,883	1,537,040	7.94%
Capital Assets, Net of Accumulated Depreciation	<u>\$31,805,662</u>	<u>\$32,932,318</u>	<u>\$ (1,126,656)</u>	-3.42%

**Long-term Debt:** At year-end, the Authority had \$-0- in debt outstanding – a decrease of \$110,990 from last year – as shown in Table IV. (More detailed information about the Authority’s loan agreement with Morris County is presented in Note 3 and Note 4 to the financial statements.) In 2008, the Authority was required to record a liability for other postemployment benefits of \$3,307,300.

Table IV  
**Outstanding Long-Term Debt**

	Dec. 31, 2008	Dec. 31, 2007	Increase/ (Decrease) from 2007	Percent of Increase/ (Decrease)
Compensated Absences	\$ 421,462	\$ 376,151	\$ 45,311	12.05%
Net Other Postemployment Benefit Obligations	3,307,300		3,307,300	100.00%
Due to County - Water Division		110,990	(110,990)	-100.00%
	<u>\$ 3,728,762</u>	<u>\$ 487,141</u>	<u>\$ 3,241,621</u>	665.44%

**Cash Flow Activity:** The cash and cash equivalents at year-end 2008 increased by 757,617, or 3.94% from the previous year. The Authority maintains a healthy cash balance to meet future emergencies and capital requirements.

**Factors Bearing on the Authority’s Future:** 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 its current practices and procedures comply with applicable regulations. The Authority’s policy is to accrue environmental and related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated.

The passage of the Highlands Water Protection and Planning Act, N.J.S.A. 13:20-1 introduces potential limitations to future demands of growth within the Authority’s franchise area. The Act may also result in additional regulations involving Authority projects. These potential conditions are not expected to have any material effect upon the financial condition or competitive position of the Authority.

**Final Comments:** The Authority has adopted a plan to develop future water supply sources to meet the increased demands of growth within its franchise areas. In addition, emergency backup provisions have been adopted with another Authority. Infrastructure improvements, vehicle and equipment replacement continue to be a priority of the Authority. The slumping economy has affected the solid waste customer base. The slumping global economy has affected the sale of recyclable paper products to commodity brokers.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2008 AND 2007

<u>ASSETS</u>	2008	2007
Current Assets:		
Cash and Cash Equivalents	\$ 17,495,579	\$ 19,237,962
Investments	2,500,000	
	19,995,579	19,237,962
Tipping Fees Receivable (Net of Allowance for Uncollectible Receivables of \$23,356 in 2008 and \$32,399 in 2007	1,971,117	2,030,156
Vegetative Waste Receivable	125,136	149,121
Curbside Recycling Receivable	242,798	214,634
Household Hazardous Waste Receivable	4,679	3,866
Consolidation Center Receivable	260,257	56,549
Other Water Division Receivables		7,080
State of New Jersey Water Feasibility Grant Receivable	196,325	196,663
Boat Shrink Wrap Grant Receivable	7,077	
Water Charges Receivable	442,884	426,021
Accrued Interest Receivable	52,865	
Rent Receivable	925	85
	23,299,642	22,322,137
Total Current Assets		
Noncurrent Assets:		
Capital Assets, Net:		
Sites (Land) and Construction in Progress	4,127,103	4,127,072
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	27,678,559	28,805,246
	31,805,662	32,932,318
Total Noncurrent Assets		
<u>TOTAL ASSETS</u>	\$ 55,105,304	\$ 55,254,455



MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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	2008	2007
Operating Revenue:		
Water Charges	\$ 3,274,112	\$ 3,308,753
Tipping Fees	37,132,495	40,116,231
Other Receipts - Water Division	35,067	36,824
Other Receipts - Solid Waste Division	11,458	34,713
Household Hazardous Waste	96,098	90,093
Curbside Recycling Receipts	1,722,281	1,560,724
Vegetative Waste Receipts	618,680	593,656
Consolidation Center Receipts	1,942,735	1,111,678
Total Operating Revenue	44,832,926	46,852,672
Operating Expenses:		
Water Division Expenses	3,946,335	2,984,110
Solid Waste Division Expenses	43,135,073	45,331,887
Depreciation	1,537,040	1,534,528
Total Operating Expenses	48,618,448	49,850,525
Operating Loss	(3,785,522)	(2,997,853)
Nonoperating Revenue (Expenses):		
State of NJ Grant Revenue:		
Clean Community Grant	61,859	38,417
Solid Waste Services Tax Grant	323,943	298,101
Boat Shrink Wrap Recycling Grant	7,077	
Scrap Tire Management Grant		683
State of New Jersey Water Feasibility Grant		255,763
Interest Earned on Investments	462,938	976,371
Rental Income	27,815	21,250
Property Repairs and Maintenance	(3,195)	(2,425)
Property Taxes	(28,549)	(27,868)
Prior Year State of New Jersey Water Feasibility Grant Receivable Cancelled	(338)	
Prior Year Accounts Payable Cancelled	458,134	
Total Nonoperating Revenue (Expenses)	1,309,684	1,560,292
Income (Loss) Before Other Revenues	(2,475,838)	(1,437,561)
Other Revenues:		
Capital Contributions	31	657
Capitalization of Prior Year Accounts Payable	217,862	53,395
Increase/(Decrease) in Net Assets	(2,257,945)	(1,383,509)
Net Assets, Beginning of Year	47,994,988	49,378,497
Net Assets, End of Year	\$ 45,737,043	\$ 47,994,988

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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 44,999,581	\$ 46,997,716
Other Receipts	53,606	64,457
Cash Paid to Suppliers and Employees (Including Grant Expenditures)	<u>(44,563,014)</u>	<u>(48,367,867)</u>
Net Cash Provided/(Used) by Operating Activities	<u>490,173</u>	<u>(1,305,694)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	4,250	6,690
Transfers Out	<u>(4,250)</u>	<u>(6,690)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grants Received	383,483	522,911
Cash Received from Building Rentals	26,975	21,975
Property Maintenance	(3,195)	(2,136)
Property Taxes on Rental Properties	(28,549)	(27,868)
Principal Payments on Debt	(110,990)	(400,000)
Purchase of Equipment	<u>(410,353)</u>	<u>(655,842)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(142,629)</u>	<u>(540,960)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	<u>410,073</u>	<u>976,371</u>
Net Cash Provided by Investing Activities	<u>410,073</u>	<u>976,371</u>
Net Increase (Decrease) in Cash and Cash Equivalents	757,617	(870,283)
Cash and Cash Equivalents - Beginning of Year	<u>19,237,962</u>	<u>20,108,245</u>
Cash and Cash Equivalents - End of Year	<u>\$ 19,995,579</u>	<u>\$ 19,237,962</u>
Reconciliation of net operating (loss) to net cash provided (used) by operating activities:		
Operating (Loss)	\$ (3,785,522)	\$ (2,997,853)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,537,040	1,534,528
Prior Year Accounts Payable Cancelled	458,134	
Capitalization of Prior Year Accounts Payable	217,862	53,395
State of New Jersey Water Feasibility Grant Receivable Cancelled	(338)	
State of New Jersey Water Feasibility Grant Receivable		90,283
Changes in Net Assets:		
(Increase) in Water Charges Receivable	(16,863)	(87,101)
(Increase) Decrease in Tipping Fees Receivable	59,039	(19,543)
Decrease in Vegetative Waste Receivable	23,985	31,788
(Increase) in Curbside Recycling Receivable	(28,164)	(11,117)
(Increase) in Household Hazardous Waste Receivable	(813)	(655)
(Increase) Decrease in Consolidation Center Receivable	(203,708)	3,144
(Increase) Decrease in Other Water Division Receivable	7,080	(7,080)
(Increase) Decrease in State of New Jersey Water Feasibility Grant Receivable	338	(90,283)
(Decrease) in Accounts Payable - Operating	(1,242,715)	(189,771)
Increase in Accounts Payable - Consolidation Center	159,374	99,888
Increase in Compensated Absences Payable	45,311	252,115
Increase in Net OPEB Obligation	3,307,300	
Increase (Decrease) in Reserve for Escrow Deposits	<u>(47,167)</u>	<u>32,568</u>
Net Cash (Used) by Operating Activities	<u>\$ 490,173</u>	<u>\$ (1,305,694)</u>

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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 1 - Organization and Summary of Significant Accounting Policies

Authorization Legislation - The Morris County Municipal Utilities Authority, hereinafter called the "Authority", was created in 1958 as a public body corporate and politic of the State of New Jersey by the Board of Chosen Freeholders of the County of Morris pursuant to N.J.S.A. 40:14B-1 et seq. The Authority was established to protect the County water supply and prevent further diversion to areas outside the County. The Authority is currently utilizing two well field sites (Alamatong and Flanders Valley). The Authority is presently supplying water to the Townships of Randolph, Roxbury, Denville, Jefferson, Parsippany-Troy Hills and Mine Hill, Boroughs of Mount Arlington and Wharton, the Southeast Morris County Municipal Utilities Authority, and New Jersey American Water Company.

On September 23, 1987, the Board of Chosen Freeholders of the County of Morris designated the Morris County Municipal Utilities Authority as the agency to design and construct a solid waste system, including transfer stations, solid waste disposal facilities and other facilities for the collection, treatment and disposal of solid waste in accordance with the solid waste management plan of Morris County, as amended from time to time.

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 Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 and/or expenses incurred 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 statement of net assets. Net assets (i.e., totals assets net of total liabilities) are segregated into "invested in capital assets, net of related debt"; "unrestricted - designated"; and "unrestricted" components.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

A. Basis of Presentation and Accounting (Cont'd)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenue and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

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. The Authority is a legally separate organization, whose members are appointed by the Board of Chosen Freeholders. Financial transactions are processed and accounted for by the Authority's financial administration. The County has provided the Authority with long-term loans for capital and operating needs for its water operations which are interest free (see Note 3). The County had also provided the Authority with a long-term loan for the acquisition of transfer stations. The County issues annual bond anticipation notes to fund this loan, and the resulting interest expense is paid by the Authority (see Note 4). The County has adopted ordinances to fund capital projects of the Authority and has donated assets which are recorded as contributed capital of the Authority. Accordingly, the Authority should be considered a component unit of the County of Morris under the provisions of Governmental Accounting Standards Boards, Codification Section 2100.

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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

D. Cash and Cash Equivalents

Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less

E. Investments

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. The Authority had investments outstanding at December 31, 2008 totaling \$2,500,000.

F. 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.

G. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. The balance as of December 31, 2008 was \$421,462, which is included on the Statement of Net Assets as a non-current liability.

H. Net Assets

Equity is classified as net assets 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 – when constraints placed on net assets are either a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

I. Allowance for Uncollectible Accounts

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance is established at the discretion of management of the Authority as deemed necessary based on prior collection history.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

J. Revenue Recognition

Customers are billed monthly and revenue is recorded net of any discounts, assessments or abatements, if applicable.

K. Capital Contributions

Transmission and distribution system assets contributed to the Authority by installers are capitalized at the installers' costs, which approximate fair value of the time of the Authority's acquisition, and recorded as capital contributions when received.

L. Storage Facilities

The Authority utilizes five storage facilities (Mine Hill, Mount Arlington and three in Randolph) for their water division. (See Note 16)

Note 2: Capital Assets

Capital assets are recorded at cost and consisted of the following, as of December 31, 2007 and 2008:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 3,955,215			\$ 3,955,215
Construction in Progress	171,857	\$ 31		171,888
Total Capital Assets Not Being Depreciated	<u>4,127,072</u>	<u>31</u>		<u>4,127,103</u>
Capital Assets Being Depreciated:				
Transfer Stations/Transmission Facilities	48,166,129	410,353	\$ (238,838)	48,337,644
Total Capital Assets	<u>52,293,201</u>	<u>410,384</u>	<u>(238,838)</u>	<u>52,464,747</u>
Less Accumulated Depreciation for:				
Transfer Stations/Transmission Facilities	19,360,883	1,537,040	(238,838)	20,659,085
Capital Assets Net of Accumulated Depreciation	<u>\$ 32,932,318</u>	<u>\$ (1,126,656)</u>	<u>\$ -0-</u>	<u>\$ 31,805,662</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 are reviewed for impairment.

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

	<u>Estimated Useful Life</u>
Vehicles	5 Years
Recycling Equipment	15 Years
Transfer Stations	40 Years
Transmission Facilities	40 Years

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 2: Capital Assets (Cont'd)

The Authority occupies space in a county-owned building located on Route 24, Morris Township, New Jersey.

The Authority still owns three rental properties located in Washington Valley. All buildings purchased on these properties were incidental to the purchase of the property and will be razed or sold at public auction at the time these sites become operational. These buildings are presently being rented, with the rental income generated being recognized as nonoperating income. Applicable maintenance expenses and taxes were recognized as nonoperating expenses.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. A review of such assets of the Authority has not indicated any material effect on the Authority's financial position or results of operations.

Construction-in-Progress

As of December 31, 2008, the Authority was involved in several projects including the construction, development and renovation of groundwater sources as well as the feasibility study for underground water storage at the former Scrub Oaks Mine.

Note 3 - Loan Agreement With the County of Morris - Solid Waste Division

On December 17, 1993, the Authority entered into a loan agreement with the County of Morris for the acquisition of two transfer station facilities from the Morris County Transfer Station, Inc., and the related entities, located in the Township of Parsippany-Troy Hills and the Township of Mount Olive. The loan agreement states that the County shall loan to the Authority, at the times requested by the Authority, a principal sum not to exceed \$9,800,000. The Authority shall repay the principal amount of this loan in full to the County of Morris. Additionally, the Authority shall pay the County any interest that the County incurs as a result of any financing by the County, plus one-eighth of one percentage point and any costs and expenses incurred by the County in connection with the acquisition of the transfer stations. The Authority's obligation to amortize the loan will be on the same amortization terms as the County's amortization of its obligations issued to finance the loan.

The County had loaned the Authority a total of \$9,762,030 for the acquisition of and improvements to the transfer stations. The Authority had repaid the County in full as of December 31, 2002.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 4 - Loan Agreement With the County of Morris-Water Division

On September 15, 1977, the Authority entered into a Loan Agreement with the County of Morris for the refinancing of the Authority's then outstanding \$10,000,000 Revenue Bonds (Temporary Issue) 1971 Series. The proceeds of the Authority's revenue bonds were primarily used for the acquisition of various land sites for the purpose of developing water resource projects. The refinancing of the outstanding Temporary Bonds was undertaken by the County in order to provide for an orderly annual retirement of bond principal. The Loan Agreement provided for the County to make a noninterest bearing loan of \$10,000,000 to the Authority; the sum to be applied solely to the payment of the outstanding Temporary Bonds. In October 1977, \$9,500,000 of the proceeds from the sale of County general obligation bonds and \$500,000 representing available County funds, were given to the Authority to accomplish the refinancing.

The following are extracts from the Loan Agreement:

"The Authority shall repay the County for the noninterest bearing loan made pursuant to the Agreement, from time to time, as funds become available to the Authority from the following sources:

- (a) the proceeds of sale of any assets of the Authority;
- (b) fifty percent (50%) of any operating surplus in any fiscal year determined on the modified accrual basis, and
- (c) the proceeds of any permanent bonds, with a maturity date of five (5) or more years from the date of issuance thereof, issued by the Authority."

The County of Morris has made the following additional Water Division loans to the Authority:

Date	Amount	Purpose
July 1985	\$5,000,000	Liquidate temporary notes outstanding.
July 1986	500,000	Construction of Alamatong well house and appurtenances at production well #5.
October 1987	1,050,000	Acquisition of 3 million gallon storage tank.
August 1988	2,600,000	Installation of a 2.5 million gallon water main connection and replacement of well #3.
August 1989	1,450,000	Renovation, construction and drilling of several production wells in the Washington Valley area.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 4 - Loan Agreement With the County of Morris-Water Division (Cont'd)

The County also loaned the Authority \$359,000 for cash down payments on ordinances, and \$182,000 for bond anticipation notes paid from County budgets. These loans are considered additions to the loan of 1977, with all such restrictions and provisions remaining the same.

The Authority repaid \$110,990 to the County for the balance of the loan during 2008.

Notwithstanding the terms and provisions of the 1971 Service Contract (see Note 5) between the Authority and the County of Morris, the Authority shall not have the right to issue any additional obligations, the debt service on which is to be included in the calculation of the Annual Charges (as defined in the 1971 Service Contract) without the consent of the County. This limitation shall not apply to (i) the Temporary Bonds or any renewals thereof permitted by the Loan Agreement; or (ii) obligations at any time outstanding in an aggregate amount not exceeding \$5,000,000, which, prior to the delivery thereof, are designated by the Authority as obligations, the debt service on which is to be included in the calculation of Annual Charges.

Note 5 - Service Contract

A 1971 Service Contract between the Authority and the County of Morris requires the Authority to supply water to municipalities in the County and to establish such annual service charges to the County that will be sufficient to (1) pay or provide for the expenses of operations and maintenance of the water system and the principal of and interest on any and all bonds as the same become due; (2) maintain such reserves and sinking funds as may be required by the terms of any contract of the Authority or any bond resolution, or as may be deemed necessary or desirable by the Authority; and (3) comply in all respects to the terms and provisions of any bond resolution of the Municipal Authorities Law (N.J.S.A. 40:14B-1 et seq.).

Note 6 - 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 cover substantially all Authority employees. As a general rule, all full-time employees are eligible to join the public employees' retirement system.

Employees who are members of PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal year's compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of 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, funds 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.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 6 - Pension (Cont'd)

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. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Three-Year Trend for PERS			
Year Ending December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 272,668	80%	\$ 218,134
2007	211,733	60%	127,040
2006	136,248	40%	54,499

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

Note 7 - 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.

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.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

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 require that authorities deposit public funds in public depositories 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 collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least 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, 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;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

- (7) 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, 2008, cash and cash equivalents and investments of the Morris County Municipal Utilities Authority consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking/ Savings Accounts</u>	<u>Investments Certificates of Deposits</u>	<u>Total</u>
Unreserved	\$ 450	\$17,495,129	\$ 2,500,000	\$ 19,995,579

During the period ended December 31, 2008, the Authority did not hold any investments other than certificates of deposit. The carrying amount of the Morris County Municipal Utilities Authority cash and cash equivalents at year end was \$19,995,579 and the bank balance was \$20,115,095.

During the period ended December 31, 2007, the carrying amount of the Morris County Municipal Utilities Authority cash and cash equivalents at year end was \$19,237,962 and the bank balance was \$19,331,376.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 8 - Leases

The Authority leases to various individuals the buildings it acquired with the purchase of its properties in Morris Township. These leases, which are of a one-year duration, generated rental income in 2008 of \$27,815. Related property maintenance and property tax expense for 2008 was \$31,744. This rental income and the related expenses are nonoperating revenue and expenses. Any excess rental revenue, as compared to related expenses, is generally used for future rental operations.

Note 9 - Transfer Station Services

Commencing on January 1, 1995, the Authority took control over several key operational responsibilities at its two transfer stations, including all billing services, scale house operations, inspection, enforcement and overall management. The Authority also took control of the Haulers' escrow deposits. All Haulers who make more than 3 deliveries of waste to the transfer stations are required to maintain a cash escrow deposit with the Authority. The County of Morris loaned the Authority \$9,762,030, which was used to purchase the two transfer stations for \$9,750,252 and pay for related legal fees of \$11,778. This loan from the County of Morris has subsequently been repaid. Waste Management of New Jersey, Inc., an independent contractor, provides waste handling, facility maintenance, and transportation services associated with the two transfer stations.

Note 10 - State Flow Control Regulations

On November 10, 1997, the U.S. Supreme Court denied a petition for certification in the Atlantic Coast case which gives full force and effect to the Third Circuit Court of Appeals' decision which invalidated New Jersey's waste flow system except to the extent that waste flow directives result from a competitive procurement process. Although the Authority is not a party in this litigation, the ruling potentially impacts the operations of the Authority.

The Authority submitted an Administrative Action dated December 9, 1997 to NJDEP in accordance with N.J.A.C. 7:26-6.11(b)a. The Administrative Action demonstrated that the Authority's procurement of both, the Easement Agreement for landfill capacity dated January 6, 1993 and the transfer station operations and transportation contract on November 7, 1997 satisfied the requirements of Atlantic Coast Demolition and Recycling, Inc. v. Board of Chosen Freeholders, 112 F.2d 652 (3d.Cir.2000) cert. denied November 10, 1997. By letter dated January 9, 1998, the NJDEP approved the Administrative Action. Thus, directed waste flow continues to be legally enforceable in Morris County. The impact, if any, of these rulings on the Authority's revenue in future periods is unclear at this time.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 11- Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is a member of the Morris County Insurance Fund. The Fund provides its members with Liability, Property, and Automobile 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 local property taxes at a minimum.

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 Insurance Commissioners. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2008 audit report of the Fund is not available as of the date of this report.

Summarized, selected financial information for the year ended December 31, 2007 for the Fund is as follows:

	<u>Morris County Insurance Fund</u>
Total Assets	\$ 8,570,664
Net Assets/(Deficit)	\$ (798,399)
Total Revenue	\$ 2,726,955
Total Operating Expenses	\$ 6,456,465
Non-Operating Revenue	\$ 286,896
Decrease in Net Assets	\$ (3,442,614)
Net Asset Distribution to Participating Members	\$ -0-

Financial statements for the Fund are available at the offices of the Morris County Treasurer:

County of Morris  
Administration & Records Building  
4th Floor, CN 900  
Morristown, NJ 07963

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 11 – Risk Management (Cont'd)

Health Benefits Insurance

Health benefits, workers compensation insurance and unemployment insurance are covered under the County of Morris. The County obtains its health benefits coverage through Horizon Blue Cross of NJ. The County currently maintains medical and prescription health care insurance with Horizon Blue Cross Blue Shield of New Jersey. The County advances funds to Horizon to pay medical and prescription claims for County employees. In 2006, insurance premiums amounting to approximately \$14,666,692 along with the interest income were available to cover approximately \$14,679,622 of incurred claims and administration costs. The balance at December 31, 2006, of \$282,283, is on deposit as temporary investments with Horizon as a premium stabilization reserve account. In addition, the County had \$428,154 as advance deposits for cash flow purposes with Horizon at December 31, 2006. The County has \$3,129,982 in encumbrances payable on its Current Fund balance sheet at December 31, 2006, which together with advance deposits, approximates the liability for incurred but not reported claims. For the year ended December 31, 2006, there was a total of \$578,592 written-off to the specific stop loss pool for five individuals who exceeded the \$150,000 attachment point.

Note 12 - Related Party Transactions

The Authority and the County of Morris have several related party transactions throughout the year in the ordinary course of operations. Total reimbursements to the County were approximately \$561,951 for 2008 and \$650,672 for 2007 which consisted of workers compensation and liability insurance, vehicle maintenance and fuel, metered mail and various printing and office supplies.

Note 13 - Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations to provide solid waste and water services to their customers, including other local governments. Below is a summary of some of the significant contracts or agreements:

The Authority has a 5-year contract with Waste Management, Inc for transportation and landfill at \$62.59 per ton and for transfer station operations at \$8.75 per ton during 2008.

The Authority has lease agreements with DMS for the Dover consolidation center and a shared lease agreement with Waste Management, Inc. for the Par-Troy transfer station.

The Authority has a contract with FCR Morris, Inc for recycling of commingled bottles and cans which expires in 2011.

The Authority has contracts with MXI, Inc., Veolia, and SAMR, Inc. with an annual cost of \$283,640, \$77,100 and \$72,337 respectively, for services related to the household hazardous waste facility.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 14 - Intraentity and Interfund Transfers

In the normal course of business, the Authority will from time to time authorize advances between accounts. During 2008, the Authority transferred \$4,250 between operating and capital accounts. There were no advances outstanding as of December 31, 2008.

Note 15 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were as follows:

	<u>2008</u>	<u>2007</u>
Vendors	\$ 3,846,239	\$ 5,128,451
Accrued Salaries and Benefits	140,433	100,936
	<u>3,986,672</u>	<u>5,229,387</u>
Consolidation Center	426,871	267,497
Total	<u>\$ 4,413,543</u>	<u>\$ 5,496,884</u>

Note 16 - Storage Facilities

The Authority utilizes five storage facilities (Mine Hill, Mount Arlington and three in Randolph) for their water division. Investment in the storage facilities totals \$5,821,334 which is included in Capital Assets. Related operating expenses for the facilities include electricity, chlorine and chemicals and laboratory analysis totaling \$946,085 for 2008.

Note 17 - Capital Contributions and Grants

The Authority periodically receives capital grants from certain governmental agencies to be used for various purposes connected with the planning, modernization, and expansion of facilities and equipment. Capital grants of the Authority are reported as revenue as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Note 18 - 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 its current practices and procedures comply with applicable regulations. The Authority's policy is to accrue environmental and related costs of a non-capital 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.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 19 - 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 participates in federal and state assisted grant programs. These programs are 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.

Note 20 - Relationship with Authority Schedules

The information in the Authority's financial statements differs from the schedules listed in the supplementary information section as Schedules 6 and 7. Specifically, the schedules are prepared on a modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized when received rather than when earned.

Note 21 - Post-Retirement Medical Benefits

The County of Morris provides post-retirement benefits, as follows, to Morris County Municipal Utilities Authority employees who meet the following criteria:

1. The Morris County Municipal Utilities Authority pays the entire cost of health care premiums for all employees and their eligible dependents who retire in good standing, on a disability pension from a New Jersey administered retirement system;
2. The Morris County Municipal Utilities Authority pays the entire cost of health care premiums for all employees and their eligible dependents who retire in good standing, with 25 years or more of service credit in a New Jersey state or locally administered retirement system, and with at least 15 years of service with the Morris County Municipal Utilities Authority at the time of retirement;
3. The Morris County Municipal Utilities Authority pays the entire cost of health care premiums for all employees and their eligible dependents who retire in good standing at age sixty-two (62 or older) with least fifteen (15) years of service with the Morris County Municipal Utilities Authority.

A surviving spouse is eligible for coverage if the retiree meets the eligibility criteria requirements detailed above.

For retirees over 65, the plan coverage under the County is secondary to Medicare. The Morris County Municipal Utilities Authority reimburses 100% of its eligible retirees' Medicare Part B premiums.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 21 - Post-Retirement Medical Benefits (Cont'd)

Funding Policy

The Morris County Municipal Utilities Authority is not required to nor does it contribute the annual required contribution (ARC) per N.J.S.A. 40A:4-1 et. seq. There is currently no provision under State statute for the Morris County Municipal Utilities Authority to accrue funds or issue debt to finance their other post employment benefit ("OPEB") liability.

As per their agreement with Horizon Blue Cross Blue Shield of NJ, the Morris County Municipal Utilities Authority advances funds to this health care provider to pay medical and prescription claims and administrative costs for Morris County Municipal Utilities Authority employees.

Currently, there are no contribution requirements of plan members.

Annual OPEB Cost

For 2008, the Morris County Municipal Utilities Authority's annual OPEB cost (expense) of \$1,812,700 was equal to the ARC. The Morris County Municipal Utilities Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

<u>Year</u>	<u>Actual OPEB Payments</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 111,600	\$ 1,812,700	6.16%	\$ 3,307,300

Funding Status and Funding Progress

The funded status of the plan as of December 31, 2008 is as follows:

	<u>2008</u>
Actuarial Accrued Liability (AAL)	\$ 17,589,000
Actuarial Value of Plan Assets	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 17,589,000</u>
Funded Ratio (Actuarial Value of Plan Assets (AAL))	0.00%
Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

N/A – Not Applicable

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(Continued)

Note 21 - Post-Retirement Medical Benefits (Cont'd)

Funding Status and Funding Progress (Cont'd)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include economic assumptions; benefit assumptions and demographic assumptions. Economic assumptions include the discount rate and health care cost trend rates. Benefit assumptions encompass the initial per capita costs rates for medical coverage. Finally, demographic assumptions include probabilities concerning retirement, mortality, termination without being benefits; disability; recovery from disability; participation rates and coverage levels. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the supplementary information section, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. For 2008, only current year information is presented. Multi-year information will be presented in the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2008 actuarial valuation, the projected unit credit cost method was used. Under this method, the present value of benefits is allocated uniformly over an employee's expected working lifetime. The actuarial assumptions included a 3.5% investment rate of return. An initial annual medical cost trend of 11% was utilized as the initial rate which decreases to a 5.0% long-term rate for medical benefits after 12 years. For prescription drug benefits, an initial trend rate of 12% was utilized which decreases to a 5.0% long-term rate after fourteen years. For Medicare Part B reimbursements, the initial trend rate for three years is 6.5% which decreases to 5% for a long-term rate.

Note 22 - Net Asset Designations

The Authority made the following designations of unrestricted net assets as of December 31, 2008:

Renewal and Replacement	\$ 2,738,681
Contractual Obligations	1,000,000
Operation and Maintenance - Reserve	2,000,000
Future Capital Improvements	3,000,000
Purchase of Property	3,500,000
Undesignated	1,692,700
	<u>\$ 13,931,381</u>

MORRIS COUNTY MUNICIPAL  
UTILITIES AUTHORITY  
SUPPLEMENTARY INFORMATION

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Operating Revenue:		
Water Charges	\$ 3,274,112	\$ 3,308,753
Tipping Fees	37,132,495	40,116,231
Other Receipts - Water Division	35,067	36,824
Other Receipts - Solid Waste Division	11,458	34,713
Household Hazardous Waste	96,098	90,093
Curbside Recycling Receipts	1,722,281	1,560,724
Vegetative Waste Receipts	618,680	593,656
Consolidation Center Receipts	1,942,735	1,111,678
Total Operating Revenue	<u>44,832,926</u>	<u>46,852,672</u>
Operating Expenses:		
Water Division Expenses	3,946,335	2,984,110
Solid Waste Division Expenses	43,135,073	45,331,887
Depreciation	1,537,040	1,534,528
Total Operating Expenses	<u>48,618,448</u>	<u>49,850,525</u>
Operating Loss	<u>(3,785,522)</u>	<u>(2,997,853)</u>
Nonoperating Revenue (Expenses):		
State of NJ Grant Revenue:		
Clean Community Grant	61,859	38,417
Solid Waste Services Tax Grant	323,943	298,101
Boat Shrink Wrap Recycling Grant	7,077	
Scrap Tire Management Grant		683
State of New Jersey Water Feasibility Grant		255,763
Interest Earned on Investments	462,938	976,371
Rental Income	27,815	21,250
Property Repairs and Maintenance	(3,195)	(2,425)
Property Taxes	(28,549)	(27,868)
Prior Year State of New Jersey Water Feasibility Grant Receivable Cancelled	(338)	
Prior Year Accounts Payable Cancelled	458,134	
Total Nonoperating Revenue (Expenses)	<u>1,309,684</u>	<u>1,560,292</u>
Income (Loss) Before Other Revenue	<u>(2,475,838)</u>	<u>(1,437,561)</u>
Other Revenues:		
Capital Contributions	31	657
Capitalization of Prior Year Accounts Payable	217,862	53,395
Increase/(Decrease) in Net Assets	<u>(2,257,945)</u>	<u>(1,383,509)</u>
Net Assets, Beginning of Year	<u>47,994,988</u>	<u>49,378,497</u>
Net Assets, End of Year	<u>\$ 45,737,043</u>	<u>\$ 47,994,988</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN CASH  
AND INVESTMENTS - UNRESTRICTED ACCOUNTS

	<u>Total</u>	<u>Operating Account</u>	<u>Capital Account</u>
Cash and Investments, December 31, 2007	\$ 19,237,962	\$ 19,234,055	\$ 3,907
Cash Receipts:			
Water Charges	3,257,249	3,257,249	
Tipping Fees	37,191,534	37,191,534	
Interest on Investments	410,073	410,073	
Household Hazardous Waste	95,285	95,285	
Water Division Receipts	42,147	42,147	
Solid Waste Division Receipts	11,458	11,458	
Reserve for Escrow Deposits	12,650	12,650	
Due Operating Account	4,250		4,250
Consolidation Center Receipts	2,165,898	2,165,898	
Curbside Recycling Receipts	1,694,117	1,694,117	
Vegetative Waste Receipts	642,665	642,665	
Clean Community Grant	59,540	59,540	
Solid Waste Services Tax Grant	323,943	323,943	
Appropriation Refunds	60,252	60,252	
Building Rental Receipts	26,250		26,250
Prepaid Building Rental Receipts	725		725
Total Cash and Investments Available	<u>65,235,998</u>	<u>65,200,866</u>	<u>35,132</u>
Cash Disbursements:			
Appropriation Expenditures	39,802,377	39,802,377	
Property Maintenance	3,195		3,195
Property Taxes on Rental Properties	28,549		28,549
Due Capital Account	4,250	4,250	
Reserve for Escrow Deposits	59,817	59,817	
Accounts Payable	4,820,888	4,820,599	289
Accounts Payable - Purchase Equipment	217,862	217,862	
Purchase of Equipment	192,491	192,491	
County Loan Payable:			
Water Division	110,990	110,990	
Total Cash Disbursements	<u>45,240,419</u>	<u>45,208,386</u>	<u>32,033</u>
Cash and Investments, December 31, 2008	<u>\$ 19,995,579</u>	<u>\$ 19,992,480</u>	<u>\$ 3,099</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH  
AND INVESTMENTS - RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

NOT APPLICABLE

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND EXPENDITURES (ACCRUAL BASIS)  
COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2008  
(With Comparative Totals for 2007)

	Original Budget	Budget After Mod- ification	2008 Actual	2007 Actual
<b>Revenue:</b>				
Fund Balance Utilized	\$ 3,784,694	\$ 4,034,694	\$ 4,034,694	\$ 3,470,222
Water Charges	4,150,600	4,150,600	3,274,112	3,308,753
Tipping Fees	45,000,000	45,000,000	37,132,495	40,116,231
Vegetative Waste Receipts	667,300	667,300	618,680	593,656
Interest Earned on Investments			462,938	976,371
Other Receipts - Water			35,067	36,824
Other Receipts - Solid Waste			11,458	34,713
Household Hazardous Waste	76,500	76,500	96,098	90,093
Curbside Recycling Receipts	1,647,500	1,647,500	1,722,281	1,560,724
Consolidation Center Receipts	1,143,500	1,143,500	1,942,735	1,111,678
Resource Recovery Investment Tax Fund	147,613	147,613		
Rental Income			27,815	21,250
Prior Year State of New Jersey Water Feasibility Grant Receivable Cancelled			(338)	
Prior Year Accounts Payable Cancelled			458,134	
<b>State of NJ Grant Revenue:</b>				
Clean Community Grant		59,540	61,859	38,417
Solid Waste Services Tax Fund	323,943	323,943	323,943	298,101
Boat Shrink Wrap Recycling Grant	9,000	9,000	7,077	
Scrap Tire Management Grant				683
State of New Jersey Water Feasibility Grant				255,763
	<u>\$ 56,950,650</u>	<u>\$ 57,260,190</u>	<u>\$ 50,209,048</u>	<u>\$ 51,913,479</u>
<b>Water Division Expenditures:</b>				
<b>Salaries:</b>				
Administration	\$ 270,900	\$ 270,900	\$ 266,177	\$ 284,444
Operating	365,500	365,500	302,078	341,845
	<u>636,400</u>	<u>636,400</u>	<u>568,255</u>	<u>626,289</u>
<b>Other Expenses:</b>				
Legal	200,000	250,000	283,140	189,063
Audit	10,308	10,308	10,308	9,520
Employee Benefits	290,700	253,830	180,436	234,671
Administrative and Insurance	85,692	88,232	90,410	45,115
Engineering and Professional Services	200,000	252,830	95,766	121,140
Legal Advertising	2,500	2,500	17,045	1,916
Travel and Training	13,000	13,000	969	3,386
Office Supplies	6,000	11,000	9,853	11,412
Equipment	50,000	15,000	12,215	16,633
Repairs and Replacements	70,000	30,000	21,548	35,819
Electric Power	700,000	950,000	975,396	736,058

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND EXPENDITURES (ACCRUAL BASIS)  
COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2008  
(With Comparative Totals for 2007)  
(Continued)

	Original Budget	Budget After Mod- ification	2008 Actual	2007 Actual
Water Division Expenditures (Cont'd):				
Other Expenses (Cont'd):				
Chlorine and Chemicals	\$ 20,000	\$ 20,000	\$ 14,409	\$ 32,728
Environmental Costs	16,400	16,400	270	21,762
Gasoline, Oil, etc.	20,000	20,000	19,396	13,525
Heating, Fuel, Oil, Boiler	20,000	20,000	18,942	10,573
Spare Parts and Maintenance				6,922
Telephone, Lease Lines, Laboratory	45,000	45,000	43,786	37,804
Provision for Depreciation			758,152	758,681
Contributed Capital			158,510	
Debt Service	400,000	400,000		
Capital Improvements	950,000	950,000	315,984	14,946
Real Estate Taxes	165,000	165,000	156,695	151,155
Fees and Permits	50,000	50,000	24,518	47,477
SMCMUA Water Agreement	370,000	370,000	384,172	320,623
Vehicle Replacement	10,000	10,000	7,078	
Laboratory Analysis	25,000	26,500	31,432	19,316
Tools and Equipment	3,500	3,500	1,715	2,743
Tools and Equipment Repairs	7,500	7,500	785	6,834
Uniforms	6,000	6,000	2,743	2,677
Minor Construction	15,000	15,000		43
Facility Maintenance	15,000	15,000	4,417	7,879
Tipping Fees	600	600		268
Water and Sewer Fees	100	100	47	50
Other Postemployment Benefits (Non-budgeted)			496,095	
State of New Jersey Water Feasibility Grant				255,763
Property Maintenance			3,195	2,425
Property Taxes			28,549	27,868
	<u>3,767,300</u>	<u>4,017,300</u>	<u>4,167,976</u>	<u>3,146,795</u>
Total Water Division Expenditures	<u>4,403,700</u>	<u>4,653,700</u>	<u>4,736,231</u>	<u>3,773,084</u>
Solid Waste Division Expenditures:				
Salaries:				
Administration	817,400	817,400	815,454	784,975
Operating	2,577,200	2,577,200	2,440,254	2,599,002
	<u>3,394,600</u>	<u>3,394,600</u>	<u>3,255,708</u>	<u>3,383,977</u>
Other Expenses:				
Audit	30,922	30,922	30,922	30,785
Employee Benefits	1,303,700	1,303,700	1,343,862	1,011,290
Administrative and Insurance	171,578	171,578	106,104	120,000
Travel and Training	20,900	20,900	6,630	6,996
Office and Computer Equipment	16,000	16,000	10,079	29,291
Office Supplies	25,000	25,000	25,372	24,463
Legal	75,000	325,000	180,419	55,114
Consulting Engineer	100,000	100,000	59,704	63,293
Legal Advertising	10,000	10,000	5,143	9,719
Gasoline, Oil, etc.	20,000	20,000	5,802	11,601
Telephone, Lease Lines, Laboratory	16,000	16,000	10,726	7,680
Spare Parts and Maintenance	10,200	10,200	7,382	6,590
Vehicle Maintenance	10,000	10,000	728	1,646

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE AND EXPENDITURES (ACCRUAL BASIS)  
COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2008  
(With Comparative Totals for 2007)  
(Continued)

	<u>Original Budget</u>	<u>Budget After Mod- ification</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Solid Waste Division Expenditures (Cont'd):				
Expenditures (Cont'd):				
Other Expenses (Cont'd):				
Provision for Depreciation			\$ 778,888	\$ 775,847
Consolidation Center	\$ 924,000	\$ 924,000	640,738	529,670
Vegetative Waste Costs	606,250	606,250	244,725	516,173
Household Hazardous Waste	257,957	257,957	262,096	301,348
Curbside Recycling	856,100	856,100	611,081	453,581
Contingency	1,000	1,000		
Project Reserve	665,000	665,000		
Special Projects	155,500	155,500	46,162	53,564
Fees and Permits	50,000	50,000	2,400	2,800
Par-Troy Lease Agreement	100,000	100,000	100,000	100,000
Operation and Maintenance - Transfer Station	43,394,300	43,144,300	32,975,206	38,260,135
Operation and Maintenance - Construction Reserve				14,970
Other Postemployment Benefits (Non-budgeted)			2,811,205	
Solid Waste Services Tax Fund Grant	323,943	323,943	323,943	298,101
Clean Community Grant Expenditures		59,540	61,859	38,417
Boat Shrink Wrap Grant Expenditures	9,000	9,000	7,077	
Scrap Tire Management Grant				683
	<u>49,152,350</u>	<u>49,211,890</u>	<u>40,658,253</u>	<u>42,723,757</u>
Total Solid Waste Division Expenditures	<u>52,546,950</u>	<u>52,606,490</u>	<u>43,913,961</u>	<u>46,107,734</u>
	<u>\$ 56,950,650</u>	<u>\$ 57,260,190</u>	<u>\$ 48,650,192</u>	<u>\$ 49,880,818</u>
Revenue Over Expenditures			\$ 1,558,856	\$ 2,032,661
Less: Fund Balance Utilized			4,034,694	3,470,222
Net (Loss)			<u>\$ (2,475,838)</u>	<u>\$ (1,437,561)</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - WATER DIVISION  
AND SOLID WASTE DIVISION (ACCRUAL BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Total	Water Division	Solid Waste Division
Operating Revenue:			
Water Charges	\$ 3,274,112	\$ 3,274,112	
Tipping Fees	37,132,495		\$ 37,132,495
Other Receipts - Water Division	35,067	35,067	
Other Receipts - Solid Waste Division	11,458		11,458
Household Hazardous Waste	96,098		96,098
Curbside Recycling Receipts	1,722,281		1,722,281
Vegetative Waste Receipts	618,680		618,680
Consolidation Center Receipts	1,942,735		1,942,735
Total Operating Revenue	<u>44,832,926</u>	<u>3,309,179</u>	<u>41,523,747</u>
Operating Expenses:			
Water Division Expenses	3,946,335	3,946,335	
Solid Waste Division Expenses	43,135,073		43,135,073
Depreciation	1,537,040	758,152	778,888
Total Operating Expenses	<u>48,618,448</u>	<u>4,704,487</u>	<u>43,913,961</u>
Operating Income/(Loss)	<u>(3,785,522)</u>	<u>(1,395,308)</u>	<u>(2,390,214)</u>
Nonoperating Revenue (Expenses):			
State of NJ Grant Revenue:			
Clean Community Grant	61,859		61,859
Solid Waste Services Tax Grant	323,943		323,943
Boat Shrink Wrap Recycling Grant	7,077		7,077
Interest Earned on Investments	462,938	91,845	371,093
Rental Income	27,815	27,815	
Property Maintenance	(3,195)	(3,195)	
Property Taxes on Rental Properties	(28,549)	(28,549)	
Prior Year State of New Jersey Water Feasibility Grant Receivable Cancelled	(338)	(338)	
Prior Year Accounts Payable Cancelled	458,134	32,380	425,754
Total Nonoperating Revenue (Expenses):	<u>1,309,684</u>	<u>119,958</u>	<u>1,189,726</u>
Income (Loss), Before Other Revenue	<u>(2,475,838)</u>	<u>(1,275,350)</u>	<u>(1,200,488)</u>
Other Revenues:			
Capital Contributions	31	31	
Capitalization of Prior Year Accounts Payable	217,862		217,862
Increase (Decrease) in Net Assets	<u>(2,257,945)</u>	<u>(1,275,319)</u>	<u>(982,626)</u>
Net Assets, Beginning of Year	<u>47,994,988</u>	<u>28,372,620</u>	<u>19,622,368</u>
Net Assets, End of Year	<u>\$ 45,737,043</u>	<u>\$ 27,097,301</u>	<u>\$ 18,639,742</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
OPERATING FUND  
SCHEDULE OF REVENUE AND EXPENDITURES (MODIFIED ACCRUAL BASIS)  
COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Budget After Mod- ification	Actual	Excess or (Deficit)
<b>Revenue:</b>				
Fund Balance Utilized	\$ 3,784,694	\$ 4,034,694	\$ 4,034,694	
Water Charges	4,150,600	4,150,600	3,257,249	\$ (893,351)
Tipping Fees	45,000,000	45,000,000	37,191,534	(7,808,466)
Vegetative Waste Receipts	667,300	667,300	642,665	(24,635)
Interest Earned on Investments			410,073	410,073
Other Receipts - Water			42,147	42,147
Other Receipts - Solid Waste			11,458	11,458
Household Hazardous Waste	76,500	76,500	95,285	18,785
Curbside Recycling Receipts	1,647,500	1,647,500	1,694,117	46,617
Consolidation Center Receipts	1,143,500	1,143,500	2,165,898	1,022,398
Resource Recovery Investment Tax Fund	147,613	147,613		(147,613)
<b>State of NJ Grant Revenue:</b>				
Clean Community Grant		59,540	59,540	
Solid Waste Services Tax Fund	323,943	323,943	323,943	
Boat Shrink Wrap Recycling Grant	9,000	9,000		(9,000)
	<u>\$ 56,950,650</u>	<u>\$ 57,260,190</u>	<u>\$ 49,928,603</u>	<u>\$ (7,331,587)</u>
<b>Water Division Expenditures:</b>				
<b>Salaries:</b>				
Administration	\$ 270,900	\$ 270,900	\$ 266,177	\$ 4,723
Operating	365,500	365,500	302,078	63,422
	<u>636,400</u>	<u>636,400</u>	<u>568,255</u>	<u>68,145</u>
<b>Other Expenses:</b>				
Legal	200,000	250,000	283,140	(33,140)
Audit	10,308	10,308	10,308	
Employee Benefits	290,700	253,830	180,436	73,394
Administrative and Insurance	85,692	88,232	90,410	(2,178)
Engineering and Professional Services	200,000	252,830	95,766	157,064
Legal Advertising	2,500	2,500	17,045	(14,545)
Travel and Training	13,000	13,000	969	12,031
Office Supplies	6,000	11,000	9,853	1,147
Equipment	50,000	15,000	12,215	2,785
Repairs and Replacements	70,000	30,000	21,548	8,452
Electric Power	700,000	950,000	975,396	(25,396)

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
OPERATING FUND  
SCHEDULE OF REVENUE AND EXPENDITURES (MODIFIED ACCRUAL BASIS)  
COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

	Original Budget	Budget After Mod- ification	Actual	Excess or (Deficit)
Water Division Expenditures (Cont'd):				
Other Expenses (Cont'd):				
Chlorine and Chemicals	\$ 20,000	\$ 20,000	\$ 14,409	\$ 5,591
Environmental Costs	16,400	16,400	270	16,130
Gasoline, Oil, etc.	20,000	20,000	19,396	604
Heating, Fuel, Oil, Boiler	20,000	20,000	18,942	1,058
Telephone, Lease Lines, Laboratory	45,000	45,000	43,786	1,214
Provision for Depreciation			758,152	(758,152)
Contributed Capital			158,510	(158,510)
Debt Service	400,000	400,000		400,000
Capital Improvements	950,000	950,000	315,984	634,016
Real Estate Taxes	165,000	165,000	156,695	8,305
Fees and Permits	50,000	50,000	24,518	25,482
SMCMUA Water Agreement	370,000	370,000	384,172	(14,172)
Vehicle Replacement	10,000	10,000	7,078	2,922
Laboratory Analysis	25,000	26,500	31,432	(4,932)
Tools and Equipment	3,500	3,500	1,715	1,785
Tools and Equipment Repairs	7,500	7,500	785	6,715
Uniforms	6,000	6,000	2,743	3,257
Minor Construction	15,000	15,000		15,000
Facility Maintenance	15,000	15,000	4,417	10,583
Tipping Fees	600	600		600
Water and Sewer Fees	100	100	47	53
	<u>3,767,300</u>	<u>4,017,300</u>	<u>3,640,137</u>	<u>377,163</u>
Total Water Division Expenditures	<u>4,403,700</u>	<u>4,653,700</u>	<u>4,208,392</u>	<u>445,308</u>
Solid Waste Division Expenditures:				
Salaries:				
Administration	817,400	817,400	815,454	1,946
Operating	2,577,200	2,577,200	2,440,254	136,946
	<u>3,394,600</u>	<u>3,394,600</u>	<u>3,255,708</u>	<u>138,892</u>
Other Expenses:				
Audit	30,922	30,922	30,922	
Employee Benefits	1,303,700	1,303,700	1,343,862	(40,162)
Administrative and Insurance	171,578	171,578	106,104	65,474
Travel and Training	20,900	20,900	6,630	14,270
Office and Computer Equipment	16,000	16,000	10,079	5,921
Office Supplies	25,000	25,000	25,372	(372)
Legal	75,000	325,000	180,419	144,581
Consulting Engineer	100,000	100,000	59,704	40,296
Legal Advertising	10,000	10,000	5,143	4,857
Gasoline, Oil, etc.	20,000	20,000	5,802	14,198
Telephone, Lease Lines, Laboratory	16,000	16,000	10,726	5,274
Spare Parts and Maintenance	10,200	10,200	7,382	2,818
Vehicle Maintenance	10,000	10,000	728	9,272

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
OPERATING FUND  
SCHEDULE OF REVENUE AND EXPENDITURES (MODIFIED ACCRUAL BASIS)  
COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

	<u>Original Budget</u>	<u>Budget After Mod- ification</u>	<u>Actual</u>	<u>Excess or (Deficit)</u>
Solid Waste Division Expenditures (Cont'd):				
Expenditures (Cont'd):				
Other Expenses (Cont'd):				
Provision for Depreciation			\$ 778,888	\$ (778,888)
Consolidation Center	\$ 924,000	\$ 924,000	640,738	283,262
Vegetative Waste Costs	606,250	606,250	244,725	361,525
Household Hazardous Waste	257,957	257,957	262,096	(4,139)
Curbside Recycling	856,100	856,100	611,081	245,019
Contingency	1,000	1,000		1,000
Project Reserve	665,000	665,000		665,000
Special Projects	155,500	155,500	46,162	109,338
Fees and Permits	50,000	50,000	2,400	47,600
Par-Troy Lease Agreement	100,000	100,000	100,000	
Operation and Maintenance - Transfer Station	43,394,300	43,144,300	32,975,206	10,169,094
Solid Waste Services Tax Fund Grant	323,943	323,943	323,943	
Clean Community Grant Expenditures		59,540	61,859	(2,319)
Boat Shrink Wrap Grant Expenditures	9,000	9,000	7,077	1,923
	<u>49,152,350</u>	<u>49,211,890</u>	<u>37,847,048</u>	<u>11,364,842</u>
Total Solid Waste Division Expenditures	<u>52,546,950</u>	<u>52,606,490</u>	<u>41,102,756</u>	<u>11,503,734</u>
	<u>\$ 56,950,650</u>	<u>\$ 57,260,190</u>	<u>\$ 45,311,148</u>	<u>\$ 11,949,042</u>
Excess Revenue Over Expenditures			\$ 4,617,455	
Depreciation			<u>1,537,040</u>	
Excess in Operations			<u>\$ 6,154,495</u>	
Total Operating Expenses			\$ 45,311,148	
Capital and Expenditures:				
Property Maintenance			3,195	
Property Taxes			<u>28,549</u>	
			<u>\$ 45,342,892</u>	

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
OPERATING FUND  
STATEMENT OF OPERATIONS AND CHANGES IN  
OPERATING FUND BALANCE (MODIFIED ACCRUAL BASIS)

	Year Ended December 31, 2008			2007
	Water	Solid Waste	Total	Total
Revenue:				
Fund Balance Anticipated	\$ 503,100	\$ 3,531,594	\$ 4,034,694	\$ 3,470,222
Water Sales	3,257,249		3,257,249	3,221,652
Tipping Fees		37,191,534	37,191,534	40,096,688
Interest Earned on Investments	70,699	339,374	410,073	976,371
Other Receipts:				
Water Division	42,147		42,147	29,744
Solid Waste Division		11,458	11,458	34,713
Household Hazardous Waste		95,285	95,285	89,438
Curbside Recycling Receipts		1,694,117	1,694,117	1,549,607
Consolidation Center Receipts		2,165,898	2,165,898	1,382,319
Vegetative Waste Receipts		642,665	642,665	625,444
Clean Community Grant		59,540	59,540	59,330
State of New Jersey Water Feasibility Grant				165,480
Solid Waste Services Tax Fund Grant		323,943	323,943	298,101
Total Revenue	<u>3,873,195</u>	<u>46,055,408</u>	<u>49,928,603</u>	<u>51,999,109</u>
Expenditures:				
Budget Expenditures	4,208,392	41,102,756	45,311,148	49,850,525
Excess (Deficit) in Operations	<u>(335,197)</u>	<u>4,952,652</u>	<u>4,617,455</u>	<u>2,148,584</u>
Fund Balance January 1	10,916,438	21,558,488	32,474,926	32,262,036
	<u>10,581,241</u>	<u>26,511,140</u>	<u>37,092,381</u>	<u>34,410,620</u>
Increased by:				
Allowance for Depreciation	758,152	778,888	1,537,040	1,534,528
	<u>11,339,393</u>	<u>27,290,028</u>	<u>38,629,421</u>	<u>35,945,148</u>
Decreased by:				
Utilization as Anticipated Revenue	503,100	3,531,594	4,034,694	3,470,222
Fund Balance December 31	<u>\$ 10,836,293</u>	<u>\$ 23,758,434</u>	<u>\$ 34,594,727</u>	<u>\$ 32,474,926</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
CONSTRUCTION FUND  
SCHEDULE OF DUE TO COUNTY OF MORRIS - WATER DIVISION  
FOR THE PERIOD JANUARY 12, 1972 TO DECEMBER 31, 2008

## Refinancing of Authorities Outstanding:

Revenue Bonds (Temporary Issue) 1971 Series, Pursuant to Loan Agreement Dated September 15, 1977	\$ 10,000,000
Revenue Bonds (Temporary Issue) September 15, 1977 Amended	5,000,000
	<u>15,000,000</u>

## Original Loans to Authority:

## Cash Down Payments:

December 14, 1967	\$ 72,000	
July 10, 1968	120,000	
August 26, 1970	<u>167,000</u>	
		359,000

## County Ordinance Appropriations:

July 1986	500,000	
October 14, 1987	1,050,000	
August 1988	2,600,000	
August 1989	<u>1,450,000</u>	
		5,600,000
		<u>20,959,000</u>

## Notes Paid from County Budgets:

1970	50,000	
1971	<u>132,000</u>	
		<u>182,000</u>

## Total Amounts Borrowed from the County of Morris

21,141,000

## Decreased by:

## Operating Fund Balance Allocations:

1977 - 1988	1,297,593
Insurance Proceeds Applied to Loan	14,652
Cash Repayments to County of Morris - 1994	491,263
Cash Repayments to County of Morris - 1995	400,000
Cash Repayments to County of Morris - 1996	400,000
Cash Repayments to County of Morris - 1997	623,142
Cash Repayments to County of Morris - 1998	522,941
Cash Repayments to County of Morris - 1999	435,126
Sale of Land to County of Morris - 1999	1,606,000
Cash Repayments to County of Morris - 2000	435,126
Cash Repayments to County of Morris - 2001	435,126
Sale of Land to County of Morris - 2001	11,846,100
Cash Repayments to County of Morris - 2002	435,126
Cash Repayments to County of Morris - 2003	435,126
Cash Repayments to County of Morris - 2004	435,126
Cash Repayments to County of Morris - 2005	417,563
Cash Repayments to County of Morris - 2006	400,000
Cash Repayments to County of Morris - 2007	400,000
Cash Repayments to County of Morris - 2008	<u>110,990</u>

21,141,000

Balance December 31, 2008

\$ -0-

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
CONSTRUCTION FUND  
SCHEDULE OF DUE TO COUNTY OF MORRIS - SOLID WASTE DIVISION  
FOR THE PERIOD DECEMBER 17, 1993 TO DECEMBER 31, 2008

Original Loans to Authority:

Payments and fees for Purchase of Transfer Stations:  
 December 17, 1993 to December 31, 2008

\$ 9,762,030

Decreased by:

Cash Repayments to County of Morris - 1995	\$	759,000
Cash Repayments to County of Morris - 1996		1,545,999
Cash Repayments to County of Morris - 1997		2,188,000
Cash Repayments to County of Morris - 1998		992,000
Cash Repayments to County of Morris - 1999		575,000
Cash Repayments to County of Morris - 2000		1,488,031
Cash Repayments to County of Morris - 2001		1,106,000
Cash Repayments to County of Morris - 2002		1,108,000

9,762,030

Balance December 31, 2008

\$ -0-

SCHEDULE 10

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
POST RETIREMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	1/08	-0-	\$ 17,589,000	\$ 17,589,000	0.00%	N/A	N/A

SINGLE AUDIT SECTION

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2008

NOT APPLICABLE

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2008

State Funding Department	State Program	State Grant Award Number	Grant Award Amount	Amount Received	Grant Period		Amount of Current Year Expenditures	Cumulative Expenditures
					From	To		
Department of Environ- mental Protection	Solid Waste Services Tax Grant	758-042-4900	\$ 323,943	\$ 323,943	01/01/08	12/31/08	\$ 323,943	\$ 323,943
		765-042-4900- VCMC-6010	59,330 59,540	59,540	01/01/07 01/01/08	12/31/08 12/31/08	38,855 23,004	59,330 23,004
Department of Environ- mental Protection	Boat Shrink Wrap Recycling Grant	6070-100-078-BMAA- 165-TCAP-6130	9,000		10/01/07	12/01/09	7,077	7,077
			\$ 383,483	\$ 392,879			\$ 413,354	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF STATE AWARDS

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2008

Note 1. GENERAL

The accompanying schedule of expenditures of state awards presents the activity of all state awards programs of the Morris County Municipal Utilities Authority. There was no federal award activity during the year end December 31, 2008. The Authority is defined in Note 1 to the Authority's financial statements. All state financial awards received directly from state agencies, as well as state financial awards passed through other government agencies are included on the schedule of expenditures of state awards.

Note 2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards includes the state grant activity of all the Morris County Municipal Utilities Authority and is presented on the cash basis of accounting. The information in this schedule 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 this schedule 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 state financial reports.



Mount Arlington Corporate Center  
 200 Valley Road Suite 300  
 Mount Arlington, NJ 07856-1320  
 Phone: 973-328-1825  
 Fax: 973-328-0507

Lawrence Business Park  
 11 Lawrence Road  
 Newton, NJ 07860  
 Phone: 973-383-6699  
 Fax: 973-383-6555

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 Morris County Municipal  
 Utilities Authority  
 Morristown, NJ

We have audited the financial statements of the Morris County Municipal Utilities (the "Authority") as of, and for the years ended, December 31, 2008 and 2007 and have issued our report thereon dated March 23, 2009. That report indicated that our opinion was qualified because the Authority does not impute interest on certain loans received from the County of Morris. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the "New Jersey Local Authorities Accounting Principles and Auditing Standards Manual", Department of Community Affairs, Division of Local Government Services, 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 opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles and those accounting principles prescribed by the Division such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Morris County Municipal  
Utilities Authority  
Page 2

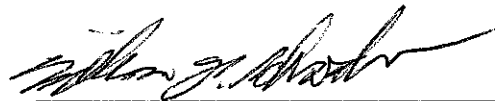
Compliance and Other Matters

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 23, 2009

NISIVOCIA & COMPANY LLP



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William F. Schroeder  
Certified Public Accountant  
Registered Municipal Accountant

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2008

Summary of Auditors' Results:

- 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.
- A qualified report was issued on the Authority's financial statements, due to a reasonable rate of interest not being imputed on loans received from the County of Morris.
- The Authority was not subject to the single audit provisions of Federal OMB Circular A-133 (the "Circular") and New Jersey's OMB Circular NJOMB 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2008 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 the circular.

Findings and Questioned Costs for Federal Awards:

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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2008

The Authority had no findings or questioned costs noted in the audit for the year ended December 31, 2007.

COMMENTS AND RECOMMENDATIONS

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
OTHER COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq.

N.J.S. 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. 1071, c.198 (C.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 (C.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 (C.40A11-2), 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. 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. 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.

The minutes indicated that bids were requested by public advertising and contracts awarded. The minutes also indicated that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for professional services per N.J.S. 40A:11-5.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
OTHER COMMENTS AND RECOMMENDATIONS  
(CONTINUED)

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq. (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.

Computer System Software

During 2008, the Authority switched software systems in the middle of the year and experienced difficulties with the roll-over process and did not receive proper training of the system. Therefore bank reconciliations, general ledgers and revenue and expenditure budget reports were either incomplete or inaccurate for approximately the last 6 months of 2008. The Authority's financial administration was subsequently able to receive adequate training with the software and provide most of the data so as to enable the completion of the annual audit.

It is recommended that the Authority maintain all pertinent financial records in an accurate and timely manner.

Management's Response

The Authority has received additional training to enable accurate record keeping in a timely manner.

Status of Prior Year Recommendations

The one recommendation from the prior year concerning the software system was corrected in the current year.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Authority maintain all pertinent financial records in an accurate and timely manner.

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