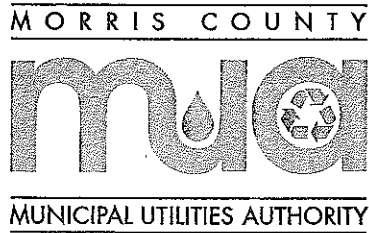


MORRIS COUNTY MUNICIPAL
UTILITIES AUTHORITY
COUNTY OF MORRIS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
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YEARS ENDED DECEMBER 31, 2010 AND 2009

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April 6, 2011

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

Dear Authority Members:

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

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

REPORTING ENTITY AND ITS SERVICES:

The Authority was created in 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
April 6, 2011

REPORTING ENTITY AND ITS SERVICES: (Cont'd)

Trash transfer facilities are located in Parsippany Troy-Hills 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 Troy-Hills 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 2010, the Authority's water division experienced the following:

- 2 Flanders wells were upgraded in capacity from 1,600 GPM to 2,000 GPM
- Received permit to operate replacement well #6 now designated as Alamatong well #8.
- Received bids for Pleasant Hill Road transmission main project.

During 2010, 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 entered into a new recycling marketing contract with a private company to begin accepting single-stream recyclables in mid 2011.

The Honorable Chairman and Members
 Of the Morris County Municipal Utilities Authority
 Page 3
 April 6, 2011

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 5. 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 LLP, CPAs, was selected by the Authority. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A- 133 and New Jersey's OMB Circular NJOMB 04-04. The auditors' report on the financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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,



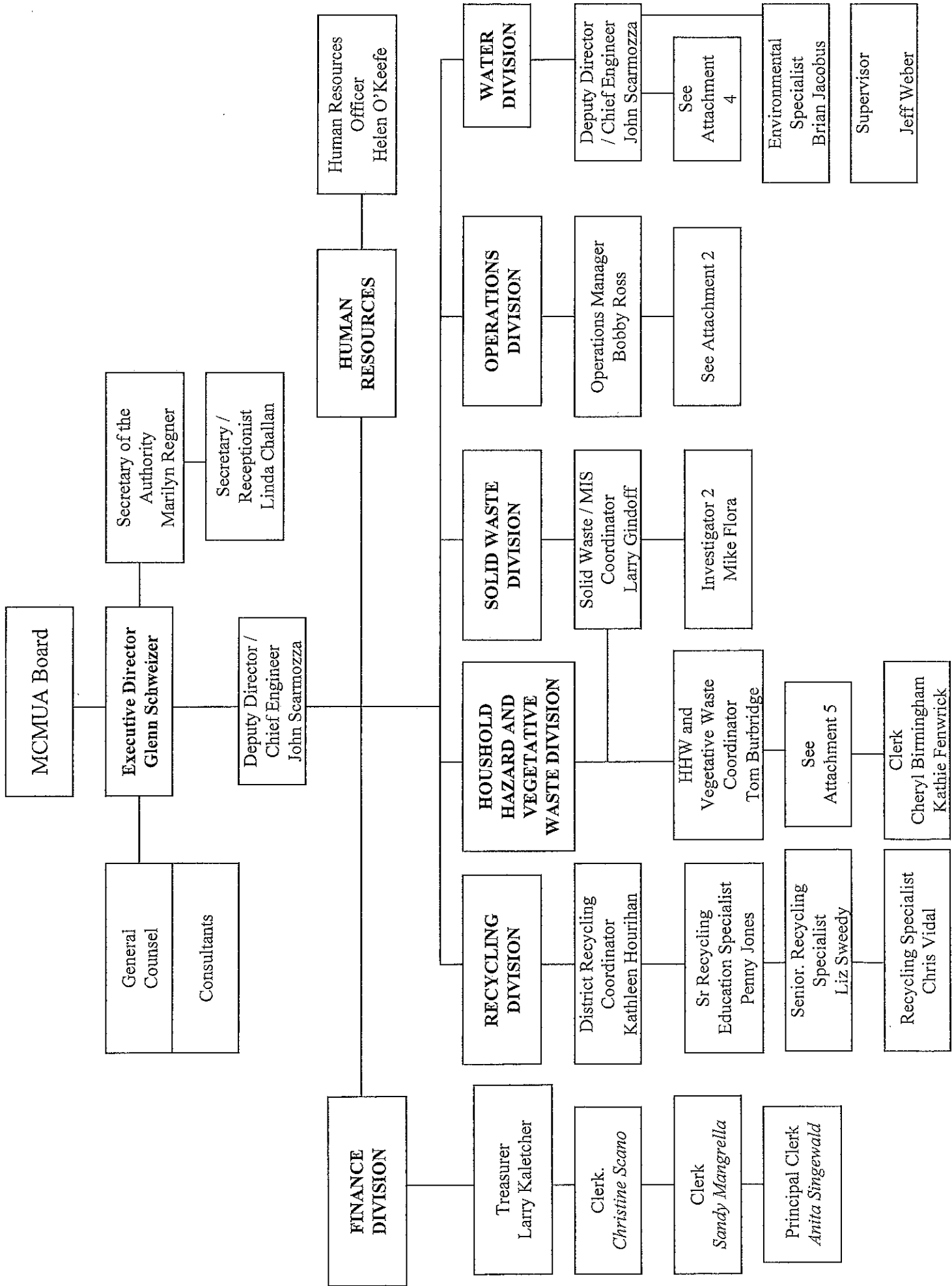
Glenn Schweizer
 Executive Director

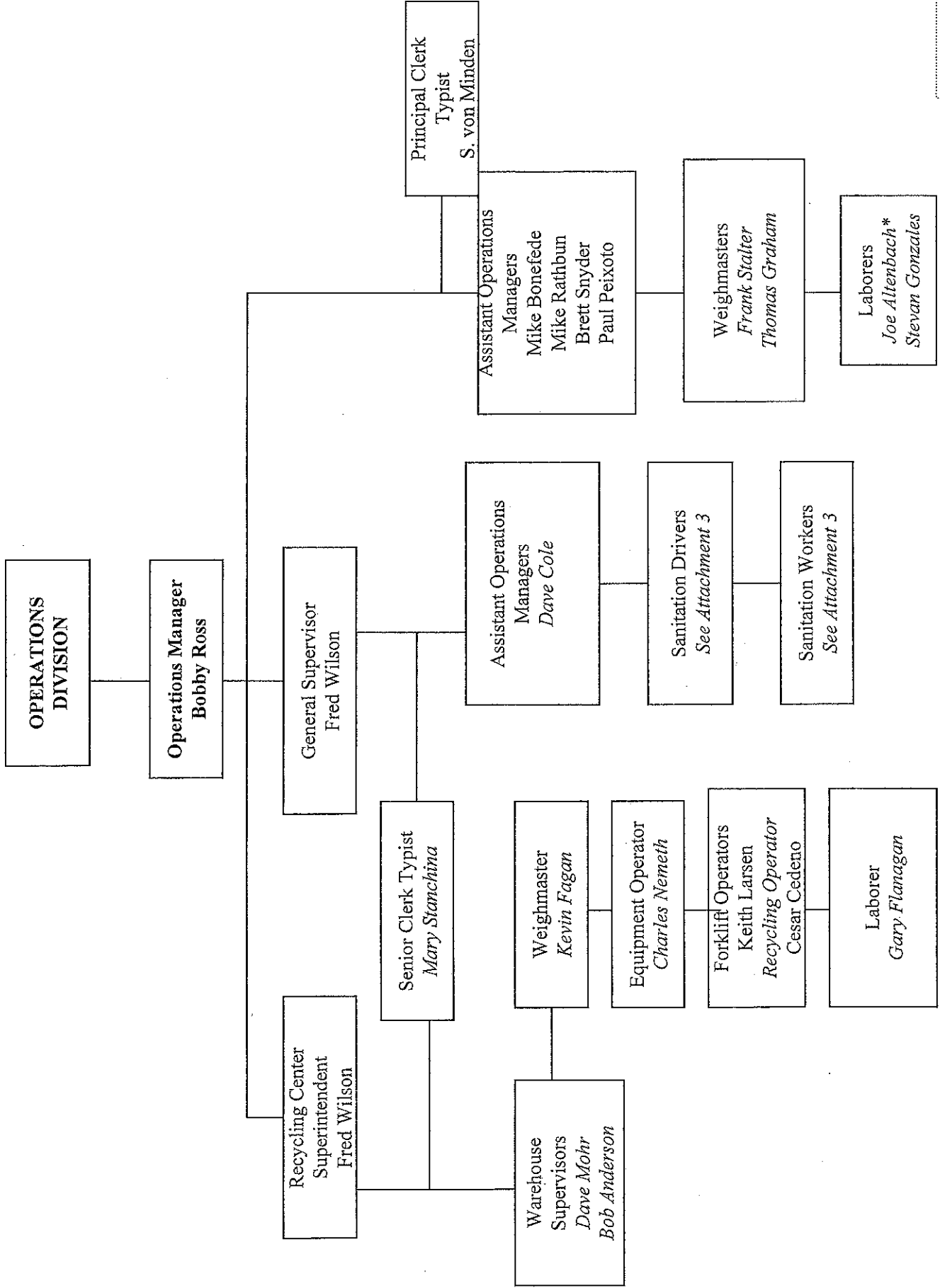


Lawrence A. Kaletcher
 Chief Financial Officer

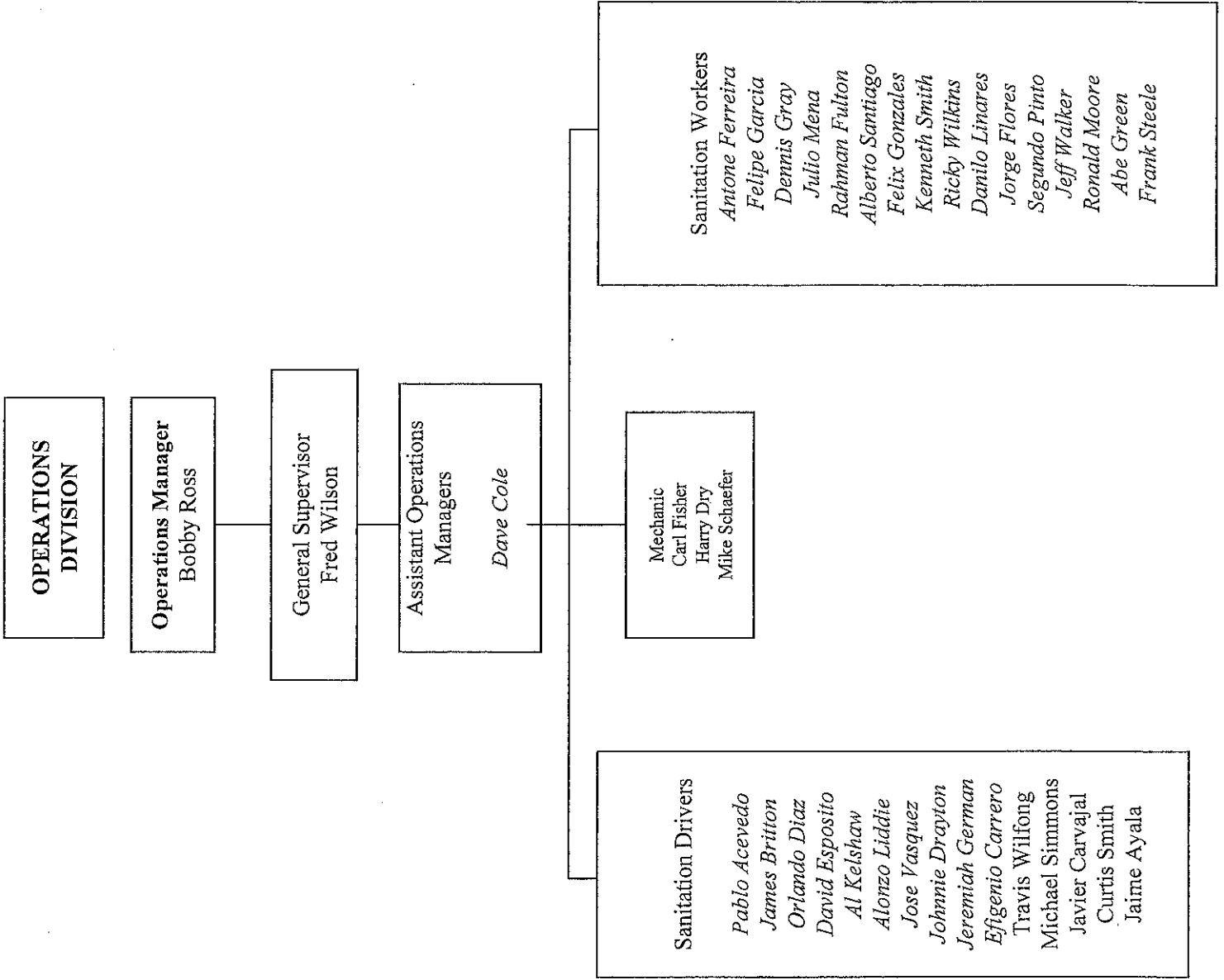
MORRIS COUNTY
MUNICIPAL UTILITIES AUTHORITY
Organizational Chart

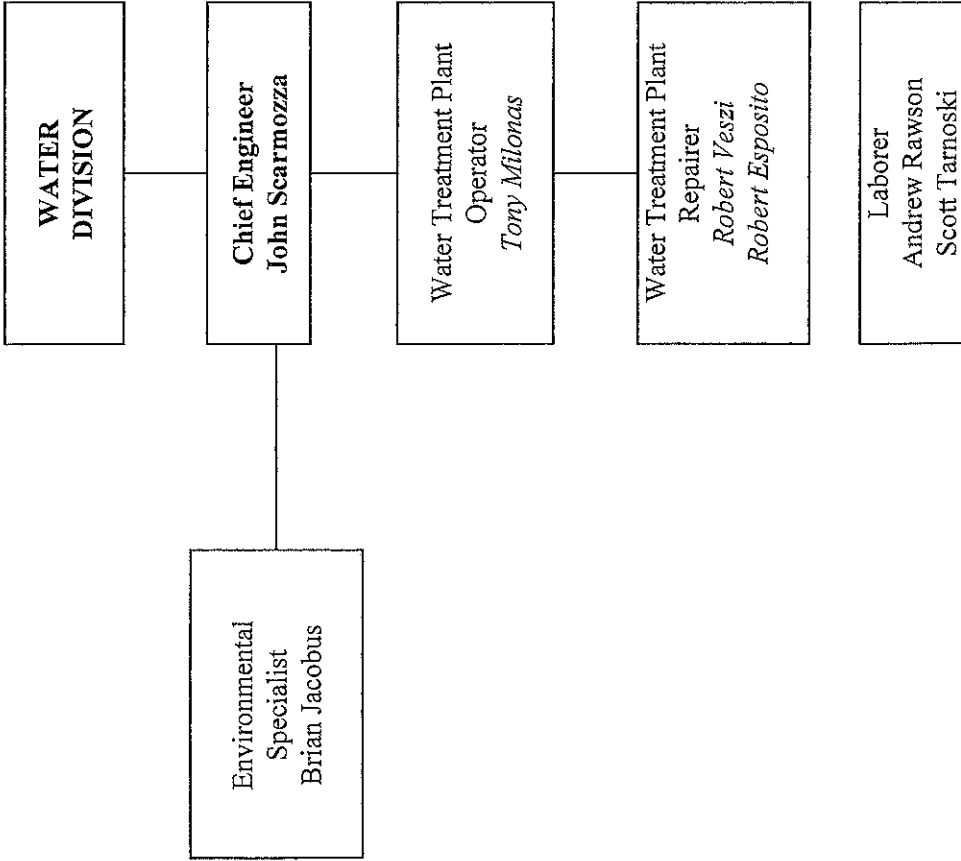
Organizational Charts organized by groups. Please note names in italics indicate union employee.

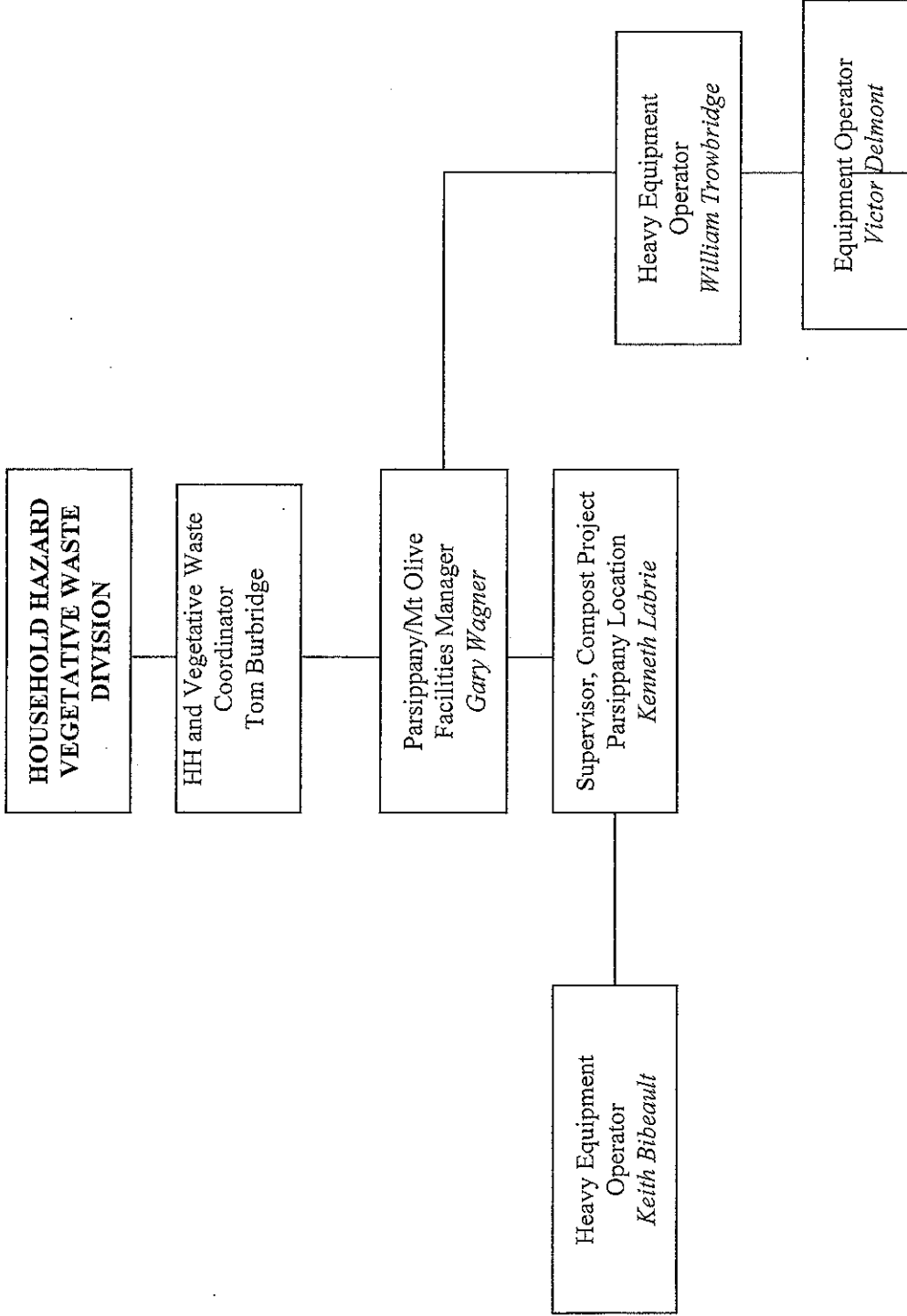




* Denotes position of Inspector







ROSTER OF OFFICIALS

DECEMBER 31, 2010

Board Members

Richard L. Plambeck	Chairperson
Frank Druetzler	Vice Chairperson
James Barry	Board Member
Chris Dour	Board Member
William Hudzik	Board Member
Dr. Dorothea Kominos	Board Member
Dr. Arthur Nusbaum	Board Member
Laura Szwak	Board Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia, 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
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07360
 973-383-6699 | 973-383-6555 Fax

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, accounting principles prescribed 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.

In our opinion, 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2011, 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.

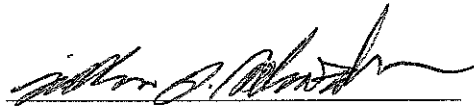
The Honorable Chairman and Members
of the Morris County Municipal
Utilities Authority
Page 2

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying introductory section and supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are 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 NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and are not a required part of the financial statements. The supplementary information schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audits of the basic financial statements mentioned above and, in our opinion, are fairly stated in all material respects in relation to the basic 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on this section.

Mt. Arlington, New Jersey
April 6, 2011

NISIVOCCIA LLP



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

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

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

Financial Highlights

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

- During fiscal year 2010, the Authority shipped 366,130 tons of solid waste to the landfills. This is 7,080 tons less than 2009 or a 1.9% decrease.
- In addition to the above, the Authority's recycling of various types of recyclable waste removed 17,552 tons from the waste stream. This is compared to 17,891 tons collected during 2009, which represents a 1.89% decrease. The Household Hazardous Waste (HHW) facility eliminated another 135.72 tons of hazardous waste from the waste stream. Additionally, several HHW/Used Consumer Electronics (UCE) collection events were conducted in the County. A total of 2,850 participants delivered another 114.21 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 2010, the Authority delivered 1.618 billion gallons of potable water compared to 1.472 billion gallons delivered in 2009. This represents a increase of 9.92%.
- Combined operating revenues were \$40.28 million, an increase from 2009 of \$1.43 million. This was an increase of 3.69%.

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 *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 relatively 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 \$3.43 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 2009	Percentage of Increase (Decrease)
	2010	2009		
Current and Other Assets	\$ 19,056,113	\$20,767,787	\$ (1,711,674)	-8.24%
Capital Assets	29,303,513	30,751,080	(1,447,567)	-4.71%
Total Assets	<u>48,359,626</u>	<u>51,518,867</u>	<u>(3,159,241)</u>	-6.13%
Current Liabilities	4,472,477	5,955,324	(1,482,847)	-24.90%
Long-Term Liabilities	<u>7,229,356</u>	<u>5,471,379</u>	<u>1,757,977*</u>	32.13%
Total Liabilities	<u>11,701,833</u>	<u>11,426,703</u>	<u>275,130</u>	2.41%
Invested in Capital Assets, Net of Debt	29,303,513	30,751,080	(1,447,567)	-4.71%
Unrestricted	<u>7,354,280</u>	<u>9,341,084</u>	<u>(1,986,804)</u>	-21.27%
Total Net Assets	<u>\$ 36,657,793</u>	<u>\$40,092,164</u>	<u>\$ (3,434,371)</u>	-8.57%

Total net assets decreased 8.57%, which is mainly attributable to the recording of other postemployment benefits of \$1,759,300, utilization of reserve funds and the current economic conditions.

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 2009	Percentage of Increase/ Decrease
	2010	2009		
Operating Revenue	\$40,279,195	\$38,844,631	\$ 1,434,564	3.69%
Nonoperating Revenue	909,982	929,648	(19,666)	-2.12%
Total Revenue	41,189,177	39,774,279	1,414,898	3.56%
Water Division	2,781,284	3,525,775	(744,491)	-21.12%
Solid Waste Division	40,321,752	40,344,726	(22,974)	-0.06%
Depreciation	1,493,230	1,568,405	(75,175)	-4.79%
Nonoperating Expenses	35,685	51,897	(16,212)	-31.24%
Total Expenses	44,631,951	45,490,803	(858,852)	-1.89%
Loss Before Other Revenues	(3,442,774)	(5,716,524)	2,273,750	39.78%
Other	8,403	71,645	(63,242)	-88.27%
Change in Net Assets	(3,434,371)	(5,644,879)	2,210,508	39.16%
Beginning Net Assets	40,092,164	45,737,043	(5,644,879)	-12.34%
Ending Net Assets	<u>\$36,657,793</u>	<u>\$40,092,164</u>	<u>\$ (3,434,371)</u>	-8.57%

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 3.39%, consolidation center receipts increased 48.47%, household hazardous waste receipts increased .86%, tipping fee revenue increased 3.91% and water charges increased 5.46% over 2009. Vegetative waste receipts decreased 12.99%.

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.

The Authority realized revenue of \$382,511 in State grants. Of this amount, \$310,714 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 \$858,852 or 1.89% from 2009. The solid waste decrease was \$22,974 or .06%. The water decrease was \$744,491 or 21.12%. Depreciation decreased \$75,175 or 4.79% and non-operating expenses decreased by \$16,212. The overall decrease in expenses is due to the correlation of the solid waste and water division expenses being proportionately associated with revenue generated. The largest decreases in the water division were in operating salaries, contributed capital and capital improvements. In 2010, the Authority recorded a liability for other postemployment benefits of \$1,759,300.

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 \$43,330,800 to \$43,889,834.

Capital Assets: As of December 31, 2010, the Authority had \$29.30 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 \$1.45 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, 2010 and 2009. These changes are also presented in Note 2 to the financial statements.

Table III

	December 31,		Increase/ (Decrease) from 2009	Percentage of Increase/ (Decrease)
	2010	2009		
Land	\$ 3,135,215	\$ 3,135,215		0.00%
Transfer Stations	9,768,764	9,768,764		0.00%
Transmission Facilities	40,040,206	40,002,946	\$ 37,260	0.09%
Construction Work in Progress	80,048	71,645	8,403	11.73%
Total	53,024,233	52,978,570	45,663	0.09%
Less:				
Accumulated Depreciation	23,720,720	22,227,490	1,493,230	6.72%
Capital Assets, Net of Accumulated Depreciation	<u>\$29,303,513</u>	<u>\$30,751,080</u>	<u>\$ (1,447,567)</u>	-4.71%

Long-term Debt: In 2010, the Authority recorded a liability for other postemployment benefits of \$1,759,300.

Table IV
Outstanding Long-Term Debt

	Dec. 31, 2010	Dec. 31, 2009	Increase/ (Decrease) from 2009	Percent of Increase/ (Decrease)
Compensated Absences	\$ 472,856	\$ 474,179	\$ (1,323)	-0.28%
Net Other Postemployment Benefit Obligations	<u>6,756,500</u>	<u>4,997,200</u>	<u>1,759,300</u>	35.21%
	<u>\$ 7,229,356</u>	<u>\$ 5,471,379</u>	<u>\$ 1,757,977</u>	32.13%

Cash Flow Activity: The cash and cash equivalents at year-end 2010 decreased by \$1,982,375, or 10.84% from the previous year. The Authority maintains an adequate 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 assets, 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.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	2010	2009
Current Assets:		
Cash and Cash Equivalents	\$ 16,313,033	\$ 18,295,408
Tipping Fees Receivable (Net of Allowance for Uncollectible Receivables of \$26,696 in 2010 and \$27,370 in 2009)	1,877,025	1,634,122
Vegetative Waste Receivable	121,249	111,087
Curbside Recycling Receivable	244,812	226,337
Household Hazardous Waste Receivable	3,065	2,950
Consolidation Center Receivable	123,921	89,783
National Resources Conservation Services - Wildlife Habitat Incentive Program Grant Receivable	319	319
Water Charges Receivable (Net of Allowance for Uncollectible Receivables of \$163,882 in 2010 and \$-0- in 2009)	372,689	407,781
Total Current Assets	19,056,113	20,767,787
Noncurrent Assets:		
Capital Assets, Net:		
Sites (Land) and Construction in Progress	3,215,263	3,206,860
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	26,088,250	27,544,220
Total Noncurrent Assets	29,303,513	30,751,080
<u>TOTAL ASSETS</u>	\$ 48,359,626	\$ 51,518,867

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

<u>LIABILITIES</u>	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Accounts Payable - Operating	\$ 3,075,663	\$ 4,719,188
Accounts Payable - Consolidation Center	282,104	86,798
Accounts Payable - Capital	564	9,460
Deferred Revenue	215,471	37,263
Reserve for Escrow Deposits	898,655	1,102,615
Prepaid Vegetative Waste	20	
Total Current Liabilities	<u>4,472,477</u>	<u>5,955,324</u>
Long-Term Liabilities:		
Compensated Absences Payable	472,856	474,179
Other Postemployment Benefits Obligation	6,756,500	4,997,200
Total Long-Term Liabilities	<u>7,229,356</u>	<u>5,471,379</u>
Total Liabilities	<u>11,701,833</u>	<u>11,426,703</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	29,303,513	30,751,080
Unrestricted	7,354,280	9,341,084
Total Net Assets	<u>\$ 36,657,793</u>	<u>\$ 40,092,164</u>

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

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

	2010	2009
Operating Revenue:		
Water Charges	\$ 3,233,063	\$ 3,065,757
Tipping Fees	33,410,916	32,153,319
Other Receipts - Water Division	42,118	261,015
Other Receipts - Solid Waste Division	19,433	12,961
Household Hazardous Waste	81,999	81,301
Curbside Recycling Receipts	1,865,826	1,804,711
Vegetative Waste Receipts	523,437	601,588
Consolidation Center Receipts	1,102,403	742,489
Resource Recovery Investment Tax Fund		121,490
Total Operating Revenue	40,279,195	38,844,631
Operating Expenses:		
Water Division Expenses	2,781,284	3,525,775
Solid Waste Division Expenses	40,321,752	40,344,726
Depreciation	1,493,230	1,568,405
Total Operating Expenses	44,596,266	45,438,906
Operating Loss	(4,317,071)	(6,594,275)
Nonoperating Revenue (Expenses):		
State of NJ Grant Revenue:		
Clean Community Grant	70,112	75,458
Recycling Enhancement Grant	310,714	330,000
Recycling Enhancement Bonus Grant		225,500
Boat Shrink Wrap Recycling Grant	1,685	
National Resources Conservation Services - Wildlife Habitat Incentive Program Grant		1,707
Interest Earned on Investments	52,084	269,333
Rental Income	28,798	27,650
Property Repairs and Maintenance	(6,405)	(23,322)
Property Taxes	(29,280)	(28,575)
Prior Year Accounts Payable Cancelled	446,589	
Total Nonoperating Revenue (Expenses)	874,297	877,751
(Loss) Before Other Revenues	(3,442,774)	(5,716,524)
Other Revenues:		
Capital Contributions	8,403	71,645
(Decrease) in Net Assets	(3,434,371)	(5,644,879)
Net Assets, Beginning of Year	40,092,164	45,737,043
Net Assets, End of Year	\$ 36,657,793	\$ 40,092,164

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 39,946,963	\$ 38,937,896
Other Receipts	61,551	395,466
Cash Paid to Suppliers and Employees (Including Grant Expenditures)	(42,550,649)	(41,735,441)
Net Cash Provided by/(Used for) Operating Activities	(2,542,135)	(2,402,079)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Equipment	(37,260)	(1,262,178)
Net Cash Provided by/(Used for) Capital and Related Financing Activities	(37,260)	(1,262,178)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants Received	560,719	836,475
Cash Received from Building Rentals	28,798	27,850
Property Maintenance	(15,301)	(13,862)
Property Taxes on Rental Properties	(29,280)	(28,575)
Reimbursement from County for Purchase of Property		820,000
Net Cash Provided by/(Used for) Non-Capital Financing Activities	544,936	1,641,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	52,084	322,198
Net Cash Provided by Investing Activities	52,084	322,198
Net (Decrease) in Cash and Cash Equivalents	(1,982,375)	(1,700,171)
Cash and Cash Equivalents - Beginning of Year	18,295,408	19,995,579
Cash and Cash Equivalents - End of Year	\$ 16,313,033	\$ 18,295,408
Reconciliation of net operating (loss) to net cash provided by/(used for) operating activities:		
Operating (Loss)	\$ (4,317,071)	\$ (6,594,275)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by/(Used for) Operating Activities:		
Depreciation	1,493,230	1,568,405
Prior Year Accounts Payable Cancelled	446,589	
Changes in Net Assets:		
Decrease in Water Charges Receivable	35,092	35,103
(Increase) Decrease in Tipping Fees Receivable	(242,903)	336,995
(Increase) Decrease in Vegetative Waste Receivable	(10,162)	14,049
(Increase) Decrease in Curbside Recycling Receivable	(18,475)	16,461
(Increase) Decrease in Household Hazardous Waste Receivable	(115)	1,729
(Increase) Decrease in Consolidation Center Receivable	(34,138)	170,474
Increase (Decrease) in Accounts Payable - Operating	(1,643,525)	732,516
Increase (Decrease) in Accounts Payable - Consolidation Center	195,306	(340,073)
Increase (Decrease) in Compensated Absences Payable	(1,323)	52,717
Increase in Net Other Post Employment Benefits Obligation	1,759,300	1,689,900
Increase in Prepaid Vegetative Waste	20	
(Decrease) in Reserve for Escrow Deposits	(203,960)	(86,080)
Net Cash Provided by/(Used for) by Operating Activities	\$ (2,542,135)	\$ (2,402,079)

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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"; and "unrestricted" components.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(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. 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. 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, 2010 AND 2009
(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.

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, 2010 was \$472,856, 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, 2010 AND 2009
(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 at the time of the Authority's acquisition, and are 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 14)

Note 2: Capital Assets

Capital assets are recorded at cost and consisted of the following, as of December 31, 2009 and 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:			
Sites (Land)	\$ 3,135,215		\$ 3,135,215
Construction in Progress	71,645	\$ 8,403	80,048
Total Capital Assets Not Being Depreciated	<u>3,206,860</u>	<u>8,403</u>	<u>3,215,263</u>
Capital Assets Being Depreciated:			
Buildings and Building Improvements and Machinery and Equipment	<u>49,771,710</u>	<u>37,260</u>	<u>49,808,970</u>
Total Capital Assets	<u>52,978,570</u>	<u>45,663</u>	<u>53,024,233</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements and Machinery and Equipment	<u>22,227,490</u>	<u>1,493,230</u>	<u>23,720,720</u>
Capital Assets Net of Accumulated Depreciation	<u>\$ 30,751,080</u>	<u>\$ (1,447,567)</u>	<u>\$ 29,303,513</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, 2010 AND 2009
(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, 2010, the Authority was involved in several projects including the construction, development and renovation of groundwater sources.

Note 3 - 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.).

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 4 - 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 specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. 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.

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.

Authority contributions to PERS amounted to \$311,274, \$289,333 and \$218,134 for 2010, 2009 and 2008, respectively. The annual pension cost ("APC") for PERS differed from the net pension obligation ("NPO") due to the enactment of Chapter 114, P.L. 1997 for 2008 as the APC was \$272,668 and the NPO was \$218,134.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 5 - 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.

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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 5 - Cash and Cash Equivalents (Cont'd)

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 5 - Cash and Cash Equivalents (Cont'd)

As of December 31, 2010, cash and cash equivalents 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>Total</u>
Unreserved	<u>\$ 450</u>	<u>\$ 16,312,583</u>	<u>\$ 16,313,033</u>

During the period ended December 31, 2010, the Authority did not hold any investments. The carrying amount of the Morris County Municipal Utilities Authority cash and cash equivalents at year end was \$16,313,033 and the bank balance was \$16,719,621.

During the period ended December 31, 2009, the Authority did not hold any investments. The carrying amount of the Morris County Municipal Utilities Authority cash and cash equivalents at year end was \$18,295,408 and the bank balance was \$18,395,757.

Note 6 - 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 2010 of \$28,798. Related property maintenance and property tax expense for 2010 was \$35,685. 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 7 - 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. Waste Management of New Jersey, Inc., an independent contractor, provides waste handling, facility maintenance, and transportation services associated with the two transfer stations.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 8 - 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.

Note 9- 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, 2010 audit report of the Fund is not available as of the date of this report.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 9- Risk Management (Cont'd)

Summarized, selected financial information for the year ended December 31, 2009 for the Fund is as follows:

	<u>Morris County Insurance Fund</u>
Total Assets	\$ 7,575,923
Net Assets/(Deficit)	\$ (257,539)
Total Revenue	\$ 3,519,212
Total Operating Expenses	\$ 3,003,308
Decrease in Net Assets	\$ 515,904
Net Assets 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

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 10 - 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 \$807,775 for 2010 and \$734,397 for 2009 which consisted of workers compensation and liability insurance, pension expense, vehicle maintenance and fuel, metered mail and various printing and office supplies.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
 (Continued)

Note 11 - 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 \$67.57 per ton and for transfer station operations at \$9.28 per ton during 2010.

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

The Authority entered a new 5 year marketing contract with FCR Morris LLC for recycling of single-stream recyclable materials which expires in 2016.

The Authority has contracts with MXI, Inc., Clean Venture and Creative Recycling Services, Inc. with an annual cost of \$289,240, \$35,925 and \$31,500 respectively, for services related to the household hazardous waste facility.

Note 12 - Intraentity and Interfund Transfers

In the normal course of business, the Authority will from time to time authorize advances between accounts. During 2010, the Authority transferred \$16,000 between operating and capital accounts. There were no advances outstanding as of December 31, 2010.

Note 13 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were as follows:

	<u>2010</u>	<u>2009</u>
Vendors	\$ 2,907,465	\$ 4,507,264
Accrued Salaries and Benefits	168,198	211,924
	<u>3,075,663</u>	<u>4,719,188</u>
Consolidation Center	282,104	86,798
Capital	564	9,460
Total	<u>\$ 3,358,331</u>	<u>\$ 4,815,446</u>

Note 14 - 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.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 15 - 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 16 - 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.

Note 17 - 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 18 - 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;

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
 (Continued)

Note 18 - Post-Retirement Medical Benefits (Cont'd)

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 at 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.

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 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 2010, the Morris County Municipal Utilities Authority's annual OPEB cost (expense) was \$1,906,100, while the ARC was \$1,891,800. 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 2010, 2009 and 2008 were as follows:

<u>Year</u>	<u>Actuarial Estimated OPEB Payments</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 146,800	\$ 1,906,100	7.70%	\$ 6,756,500
2009	112,500	1,802,400	6.24%	4,997,200
2008	111,600	1,812,700	6.16%	3,307,300

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 18 - Post-Retirement Medical Benefits (Cont'd)

Funding Status and Funding Progress

The funded status of the plan as of December 31, 2010 is as follows:

	<u>2010</u>
Actuarial Accrued Liability (AAL)	\$ 19,345,000
Actuarial Value of Plan Assets	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 19,345,000</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

The funded status of the plan as of December 31, 2009 is as follows:

	<u>2009</u>
Actuarial Accrued Liability (AAL)	\$ 17,603,300
Actuarial Value of Plan Assets	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 17,603,300</u>
Funded Ratio (Actuarial Value of Plan Assets (AAL))	0.00%
Covered Payroll (Active Plan Members)	\$ 3,514,900
UAAL as a Percentage of Covered Payroll	501.00%

N/A – Not Available

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 eligible for 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.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

Note 18 - Post-Retirement Medical Benefits (Cont'd)

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, 2009 and 2010 actuarial valuations, 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 per the 2010 valuation include a 3.50% anticipated rate of return on investments. For medical benefits, the initial rate utilized is 10.0% and decreases to a 5.0% long-term trend rate for all medical benefits after 10 years. For prescription drug benefits, the initial trend rate is 11.0%, decreasing to a 5.0% long-term trend rate after 12 years. For Medicare Part B reimbursements, the trend rate is 4.0% for the first year, with a long-term rate of 5.0% thereafter.

Note 19 - Net Assets Designations

The Authority made the following designations of unrestricted net assets as of December 31, 2010:

Renewal and Replacement	\$ 1,567,371
Contractual Obligations	600,000
Operation and Maintenance - Reserve	1,400,000
Future Capital Improvements	2,000,000
Purchase of Property	1,500,000
Undesignated	286,909
	<u>\$ 7,354,280</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, 2010 AND 2009

	2010	2009
Operating Revenue:		
Water Charges	\$ 3,233,063	\$ 3,065,757
Tipping Fees	33,410,916	32,153,319
Other Receipts - Water Division	42,118	261,015
Other Receipts - Solid Waste Division	19,433	12,961
Household Hazardous Waste	81,999	81,301
Curbside Recycling Receipts	1,865,826	1,804,711
Vegetative Waste Receipts	523,437	601,588
Consolidation Center Receipts	1,102,403	742,489
Resource Recovery Investment Tax Fund		121,490
Total Operating Revenue	40,279,195	38,844,631
Operating Expenses:		
Water Division Expenses	2,781,284	3,525,775
Solid Waste Division Expenses	40,321,752	40,344,726
Depreciation	1,493,230	1,568,405
Total Operating Expenses	44,596,266	45,438,906
Operating Loss	(4,317,071)	(6,594,275)
Nonoperating Revenue (Expenses):		
State of NJ Grant Revenue:		
Clean Community Grant	70,112	75,458
Recycling Enhancement Grant	310,714	330,000
Recycling Enhancement Bonus Grant		225,500
Boat Shrink Wrap Recycling Grant	1,685	
NRCS WHIP Grant		1,707
Interest Earned on Investments	52,084	269,333
Rental Income	28,798	27,650
Property Repairs and Maintenance	(6,405)	(23,322)
Property Taxes	(29,280)	(28,575)
Prior Year Accounts Payable Cancelled	446,589	
Total Nonoperating Revenue (Expenses)	874,297	877,751
(Loss) Before Other Revenue	(3,442,774)	(5,716,524)
Other Revenues:		
Capital Contributions	8,403	71,645
(Decrease) in Net Assets	(3,434,371)	(5,644,879)
Net Assets, Beginning of Year	40,092,164	45,737,043
Net Assets, End of Year	\$ 36,657,793	\$ 40,092,164

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2010
(With Comparative Totals for 2009)

	Original Budget	Budget After Mod- ification	2010 Actual	2009 Actual
Revenue:				
Fund Balance Utilized	\$ 3,839,000	\$ 3,839,000	\$ 3,839,000	\$ 3,532,384
Water Charges	3,665,100	3,665,100	3,233,063	3,065,757
Tipping Fees	32,536,800	32,536,800	33,410,916	32,153,319
Vegetative Waste Receipts	627,300	627,300	523,437	601,588
Interest Earned on Investments			52,084	269,333
Other Receipts - Water			42,118	261,015
Other Receipts - Solid Waste			19,433	12,961
Household Hazardous Waste	81,900	81,900	81,999	81,301
Curbside Recycling Receipts	1,880,700	1,880,700	1,865,826	1,804,711
Consolidation Center Receipts	700,000	700,000	1,102,403	742,489
Resource Recovery Investment Tax Fund				121,490
Rental Income			28,798	27,650
Prior Year Accounts Payable Cancelled			446,589	
State of NJ Grant Revenue:				
Clean Community Grant		79,034	70,112	75,458
Boat Shrink Wrap Recycling Grant			1,685	
Recycling Enhancement Grant		480,000	310,714	330,000
Recycling Enhancement Bonus Grant				225,500
NRCS WHIP Grant				1,707
	<u>\$ 43,330,800</u>	<u>\$ 43,889,834</u>	<u>\$ 45,028,177</u>	<u>\$ 43,306,663</u>
Water Division Expenditures:				
Salaries:				
Administration	\$ 311,400	\$ 311,400	\$ 259,477	\$ 269,378
Operating	265,000	265,000	233,856	370,109
	<u>576,400</u>	<u>576,400</u>	<u>493,333</u>	<u>639,487</u>
Other Expenses:				
Legal	125,000	125,000	44,352	31,634
Audit	5,000	5,000	5,000	9,000
Employee Benefits	270,100	270,100	268,624	283,346
Administrative and Insurance	88,000	88,000	38,120	31,994
Engineering and Professional Services	75,000	75,000	59,760	164,490
Legal Advertising	1,500	1,500	1,282	853
Travel and Training	11,500	11,500	8,565	2,155
Office Supplies	10,000	10,000	10,183	11,503
Equipment	50,000	50,000	6,944	10,986
Repairs and Replacements	70,000	70,000	22,201	21,725
Electric Power	950,000	950,000	839,135	663,301

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2010
(With Comparative Totals for 2009)
(Continued)

	Original Budget	Budget After Mod- ification	2010 Actual	2009 Actual
Water Division Expenditures (Cont'd):				
Other Expenses (Cont'd):				
Chlorine and Chemicals	\$ 25,000	\$ 25,000	\$ 16,480	\$ 17,335
Environmental Costs	16,400	16,400	1,434	2,078
Gasoline, Oil, etc.	20,000	20,000	13,457	12,801
Heating, Fuel, Oil, Boiler	20,000	20,000	9,604	8,989
Telephone, Lease Lines, Laboratory	50,000	50,000	39,882	49,073
Provision for Depreciation			764,997	764,890
Contributed Capital	300,000	300,000		300,000
Capital Improvements	250,000	250,000	24,085	352,068
Real Estate Taxes	165,000	165,000	144,800	159,977
Fees and Permits	50,000	50,000	40,016	71,942
SMCMUA Water Agreement	407,000	407,000	360,743	370,753
Vehicle Purchase	30,000	20,000		
Vehicle Replacement	7,500	7,500	2,888	7,829
Laboratory Analysis	35,000	35,000	24,753	26,817
Tools and Equipment	4,000	4,000	5,278	3,366
Tools and Equipment Repairs	5,000	5,000	1,152	1,815
Uniforms	7,000	7,000	1,697	1,900
Minor Construction	10,000	10,000	1,170	8,318
Cultural Center Contribution		10,000	4,069	
Facility Rental Contribution	10,000	10,000	16,808	
Facility Maintenance	20,000	20,000	11,392	4,874
Tipping Fees	600	600	138	132
Water and Sewer Fees	100	100	44	42
Other Postemployment Benefits (Non-budgeted)			263,895	253,485
NRCS WHIP Grant				1,707
Property Maintenance			6,405	23,322
Property Taxes			29,280	28,575
	<u>3,088,700</u>	<u>3,088,700</u>	<u>3,088,633</u>	<u>3,703,075</u>
Total Water Division Expenditures	<u>3,665,100</u>	<u>3,665,100</u>	<u>3,581,966</u>	<u>4,342,562</u>
Solid Waste Division Expenditures:				
Salaries:				
Administration	983,400	983,400	977,675	981,163
Operating	2,652,400	2,652,400	2,731,313	2,804,865
	<u>3,635,800</u>	<u>3,635,800</u>	<u>3,708,988</u>	<u>3,786,028</u>
Other Expenses:				
Audit	40,000	40,000	36,645	43,880
Employee Benefits	1,512,800	1,512,800	1,377,800	1,445,731
Administrative and Insurance	210,000	242,864	232,864	199,952
Travel and Training	15,000	15,000	6,647	8,947
Office and Computer Equipment	19,000	19,000	9,063	8,346
Office Supplies	20,000	20,000	19,100	16,636
Legal	125,000	225,000	181,223	58,133
Consulting Engineer	100,000	175,000	50,716	155,554
Legal Advertising	10,000	10,000	5,365	1,920
Gasoline, Oil, etc.	8,000	8,000	3,500	3,212
Telephone, Lease Lines, Laboratory	16,000	16,000	5,355	6,292
Spare Parts and Maintenance	12,200	12,200	4,636	7,247
Vehicle Maintenance	5,000	5,000	1,170	1,000

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2010
(With Comparative Totals for 2009)
(Continued)

	Original Budget	Budget After Mod- ification	2010 Actual	2009 Actual
Solid Waste Division Expenditures (Cont'd):				
Expenditures (Cont'd):				
Other Expenses (Cont'd):				
Provision for Depreciation			\$ 728,233	\$ 803,515
Consolidation Center	\$ 714,500	\$ 714,500	370,076	678,401
Vegetative Waste Costs	304,600	304,600	290,203	247,786
Household Hazardous Waste	403,900	196,036	125,527	312,632
Curbside Recycling	709,700	709,700	499,399	471,043
Contingency	1,000	1,000		
Project Reserve	610,000	610,000	53,965	339,100
Special Projects	151,000	91,000	9,629	24,967
Fees and Permits	50,000	50,000	7,868	6,200
Cultural Center Rental		60,000	48,560	
Cultural Center Utilities	30,000	30,000	21,742	
Par-Troy Lease Agreement	100,000	100,000	100,000	100,000
Operation and Maintenance - Transfer Station	30,862,200	30,862,200	31,273,795	30,354,346
Other Postemployment Benefits (Non-budgeted)			1,495,405	1,436,415
Clean Community Grant Expenditures		79,034	70,112	75,458
Boat Shrink Wrap Grant Expenditures			1,685	
Recycling Enhancement Grant		480,000	310,714	330,000
Recycling Enhancement Bonus Grant				225,500
	<u>36,029,900</u>	<u>36,588,934</u>	<u>37,340,997</u>	<u>37,362,213</u>
Total Solid Waste Division Expenditures	<u>39,665,700</u>	<u>40,224,734</u>	<u>41,049,985</u>	<u>41,148,241</u>
	<u>\$ 43,330,800</u>	<u>\$ 43,889,834</u>	<u>\$ 44,631,951</u>	<u>\$ 45,490,803</u>
Revenue Over/(Under) Expenditures			\$ 396,226	\$ (2,184,140)
Less: Fund Balance Utilized			3,839,000	3,532,384
Net (Loss)			<u>\$ (3,442,774)</u>	<u>\$ (5,716,524)</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - WATER DIVISION
AND SOLID WASTE DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2010

	Total	Water Division	Solid Waste Division
Operating Revenue:			
Water Charges	\$ 3,233,063	\$ 3,233,063	
Tipping Fees	33,410,916		\$ 33,410,916
Other Receipts - Water Division	42,118	42,118	
Other Receipts - Solid Waste Division	19,433		19,433
Household Hazardous Waste	81,999		81,999
Curbside Recycling Receipts	1,865,826		1,865,826
Vegetative Waste Receipts	523,437		523,437
Consolidation Center Receipts	1,102,403		1,102,403
Total Operating Revenue	<u>40,279,195</u>	<u>3,275,181</u>	<u>37,004,014</u>
Operating Expenses:			
Water Division Expenses	2,781,284	2,781,284	
Solid Waste Division Expenses	40,321,752		40,321,752
Depreciation	1,493,230	764,997	728,233
Total Operating Expenses	<u>44,596,266</u>	<u>3,546,281</u>	<u>41,049,985</u>
Operating Loss	<u>(4,317,071)</u>	<u>(271,100)</u>	<u>(4,045,971)</u>
Nonoperating Revenue (Expenses):			
State of NJ Grant Revenue:			
Clean Community Grant	70,112		70,112
Recycling Enhancement Grant	310,714		310,714
Boat Shrink Wrap Recycling Grant	1,685		1,685
Interest Earned on Investments	52,084	21,096	30,988
Rental Income	28,798	28,798	
Property Maintenance	(6,405)	(6,405)	
Property Taxes on Rental Properties	(29,280)	(29,280)	
Prior Year Accounts Payable Cancelled	446,589	64,812	381,777
Total Nonoperating Revenue (Expenses):	<u>874,297</u>	<u>79,021</u>	<u>795,276</u>
(Loss), Before Other Revenue	(3,442,774)	(192,079)	(3,250,695)
Other Revenues:			
Capital Contributions	8,403	8,403	
(Decrease) in Net Assets	(3,434,371)	(183,676)	(3,250,695)
Net Assets, Beginning of Year	<u>40,092,164</u>	<u>26,245,023</u>	<u>13,847,141</u>
Net Assets, End of Year	<u>\$ 36,657,793</u>	<u>\$ 26,061,347</u>	<u>\$ 10,596,446</u>

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
2009	1/09	-0-	17,603,300	17,603,300	0.00%	\$ 3,514,900	501.00%
2010	1/10	-0-	19,345,000	19,345,000	0.00%	N/A	N/A

SINGLE AUDIT SECTION

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

NOT APPLICABLE

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

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	Recycling Enhancement Grant	752-042-4900						
		008-V42X-6010	\$ 480,000	\$ 480,000	01/01/10	12/31/10	\$ 310,714	\$ 310,714
Department of Environ- mental Protection	Clean Community Grant	765-042-4900-	76,185					
		005-V42Y-6010	79,034	79,034	01/01/09	12/31/10	37,263	76,185
Department of Environ- mental Protection	Boat Shrink Wrap Recycling Grant	6070-100-078-BMAA-						
		165-TCAP-6130	8,762	1,685	10/01/07	12/01/10	1,685	8,762
				\$ 560,719			\$ 382,511	\$ 428,510

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

Note 1. GENERAL

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

Note 2. BASIS OF PRESENTATION

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

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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



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

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6556 Fax

Independent Auditors' Report on Internal Control Over
 Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

The Honorable Chairman and Members
 of the 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, 2010 and 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 6, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all the deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, 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 certain matters 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, the Chairman and members of the Authority 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.

Mount Arlington, New Jersey
April 6, 2011

NISIVOCIA LLP



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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

Summary of Auditors' Results:

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

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

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

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the threshold defined in the federal Circular and NJOMB 04-04.

Findings and Questioned Costs for Federal Awards:

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

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

The Authority had no findings or questioned costs noted in the audit for the year ended December 31, 2009.

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.

Effective July 1, 2010 the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is \$26,000.00 and with a qualified purchasing agent the threshold may be up to \$36,000.00

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. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. Emergency repairs to a front end loader were made without the proper authorization being authorized in the minutes.

It is recommended that all emergency expenditures be properly authorized in the minutes.

Management's Response

Greater care will be taken to ensure that all emergency expenditures be properly authorized in the minutes.

Payroll

During our review of the Payroll account it was noted that there were excess funds at year end and an analysis of the payroll agency account activity was not maintained on a current basis. Also, tax and agency withholdings were not being promptly remitted to the proper agencies.

Recommendations:

It is recommended that greater care be taken in the monthly recording and accounting of the payroll account and tax and agency withholdings be promptly remitted to the proper agencies.

Management Response:

The Authority will ensure that greater care be taken in the recording and accounting of the payroll account.

Status of Prior Year Recommendations

The one recommendation from the prior year to routinely update capital assets records was corrected in the current year.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. All emergency expenditures be properly authorized in the minutes.
2. Greater care be taken in the monthly recording and accounting of the payroll account and tax and agency withholdings be promptly remitted to the proper agencies.

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