

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

(A component unit of the City of Plainfield)

REPORT OF AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
TABLE OF CONTENTS**

	<u>Page</u>
<u>Exhibit</u>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
 <u>Basic Financial Statements</u>	
A Comparative Statements of Net Assets as of December 31, 2010 and 2009	10-11
B Comparative Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended December 31, 2010 and 2009	12
C Comparative Statements of Cash Flows for the Years Ended December 31, 2010 and 2009	13-14
Notes to Basic Financial Statements	15-39
 <u>Supplementary Schedules</u>	
1 Combining Schedule of Net Assets as of December 31, 2010	40-41
2 Combining Schedule of Revenues, Expenses and Changes in Net Assets for the Year Ended December 31, 2010	42
3 Combining Schedule of Cash Flows for the Year Ended December 31, 2010	43-44
4 Schedule of Revenues and Expenses Compared to Budget – Sewer – for the Year Ended December 31, 2010 – Budgetary Basis	45-46
5 Schedule of Revenues and Expenses Compared to Budget – Solid Waste – for the Year Ended December 31, 2010 – Budgetary Basis	47-48
Roster of Officials as of December 31, 2010	49
 <u>Government Auditing Standards Report</u>	
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	50-51
Schedule of Findings and Responses	52-54
Summary Schedule of Prior Year Findings	55
General Comments	56-57
Recommendations	58

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board
Plainfield Municipal Utilities Authority
Plainfield, New Jersey

We have audited the accompanying basic financial statements of the Plainfield Municipal Utilities Authority, a component unit of the City of Plainfield, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plainfield Municipal Utilities Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

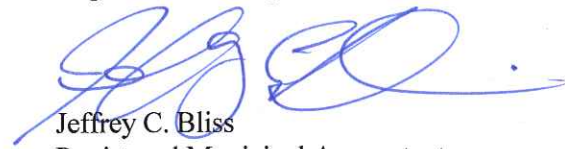
In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2011 on our consideration of the Plainfield Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plainfield Municipal Utilities Authority. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Plainfield Municipal Utilities Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LERCH, VINCI & HIGGINS, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
April 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2010

This section of the Plainfield Municipal Utilities Authority's ("PMUA" or "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2010. Please read it in conjunction with the Authority's financial statements and accompanying notes.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2010) and the previous two years (2009 and 2008) are required to be presented in the MD&A.

The 1996 creation ordinance for the PMUA had three key tasks to be accomplished by the PMUA.

- Upgrading Plainfield's Sanitary Sewer System to reduce emergencies and property damage;
- Implementing a comprehensive Solid Waste System, including improvement and upgrade of the Transfer Station;
- Generation and collection of revenues to accomplish those quality of life tasks.

For more than fourteen years the PMUA has accomplished all of those tasks, added value to the infrastructure of our city; employed, trained and developed many Plainfield citizens; returned millions of dollars to City Operations and to Plainfield citizens; and positioned the authority to be of continuing benefit to the City of Plainfield.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities at December 31, 2010 by \$5,603,248.
- The Authority's total net assets increased \$1,006,136 (22%).
- Cash and Cash Equivalents (i.e. Investments) decreased \$903,723 (9%).
- Long-term liabilities decreased by \$636,628 (3%) reflecting the pay down of outstanding debt.
- Operating Revenues increased slightly by \$109,800 (1%).
- Operating Expenses increased by \$1,230,256 (7%) due in large part to increases in the costs of providing direct services to the Authority customers.
- Operating Income decreased by \$1,120,456 (33%) mainly due to a lower than expected sewer and solid waste revenues earned versus budgeted for the current year.

OVERVIEW OF FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2010 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Basic Financial Statements

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting similar to those used by private-sector companies.

Enterprise Fund statements offer short- and long-term financial information about the activities and operations of the Authority. The statement of net assets includes *all* of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets regardless of when cash is received or paid. The statement of cash flows provides a presentation of cash flow information that complements the accrual basis financial statements of net assets and revenues, expenses and changes in net assets.

The financial statements report the Authority's *net assets* and how they have changed. Net assets – the difference between the Authority's assets and liabilities – is one way to measure the Authority's financial health or *position*.

- Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the Authority's customer base, its major suppliers of goods and services, regulatory changes and the condition of the Authority buildings and other facilities and equipment used in sewer and solid waste system operations.

Notes To The Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's operation segments and budget process. The Authority operates separate sewer and solid waste systems. Combining schedules of net assets, revenues, expenses and changes in net assets; and cash flows presents individual financial information for each system have been provided as supplementary information. The Authority adopts an annual revenue and expense budget for both systems on the budgetary basis. Budget to actual schedules – budgetary basis have been provided for both systems as supplementary information. The supplementary information can be found following the notes to the basic financial statements.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2010

(Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets – The following table summarizes the Net Assets of the Authority between December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS:			
Current and Other Assets	\$ 16,471,985	\$ 16,304,201	\$ 14,687,611
Capital Assets	<u>11,163,362</u>	<u>10,849,661</u>	<u>12,063,204</u>
Total Assets	<u>27,635,347</u>	<u>27,153,862</u>	<u>26,750,815</u>
LIABILITIES:			
Long-Term Liabilities	19,445,584	20,082,212	21,142,207
Other Liabilities	<u>2,586,515</u>	<u>2,474,538</u>	<u>2,500,931</u>
Total Liabilities	<u>22,032,099</u>	<u>22,556,750</u>	<u>23,643,138</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(5,786,075)	(5,742,996)	(5,157,014)
Restricted	7,664,491	7,361,139	6,734,382
Unrestricted	<u>3,724,832</u>	<u>2,978,969</u>	<u>1,530,309</u>
Total Net Assets	<u>\$ 5,603,248</u>	<u>\$ 4,597,112</u>	<u>\$ 3,107,677</u>

The Authority's Net Assets increased \$1,006,136, or 22% in 2010 and increased \$1,489,435, or 48% in 2009. Key elements of this change are as follows:

- For 2010, sewer fees increased \$111,951 or 1% due to increased flow from customers. There was no increase in sewer user rates for 2010. Solid waste fees increased \$51,280 or less than 1% due to a solid waste user rate increase approved for the current year. Other operating revenues (exclusive of municipal solid waste contribution) decreased \$53,431 or 1% primarily due to decreased revenues collected from sewer connection fees in 2010 compared to 2009. The municipal solid waste contribution remained the same in 2010 as in 2009. Operating expenses increased \$1,230,256, or 7% in 2010 primarily due to increasing costs of collection and disposal of solid waste. Total sewer system operating expenses increased \$252,906 or 3% and total solid waste system operating expenses increased \$977,350 or 10%.
- Unrestricted Net Assets increased \$745,863 (25%) and \$1,448,660 (95%) in 2010 and 2009, respectively. The net assets component of Invested in Capital Assets, Net of Related Debt decreased \$43,079 in 2010 and \$585,982 in 2009. The decrease for 2009 is a result of the Authority writing off certain capital project costs for projects the Authority does not expect to complete in the near future. The balances in the Investment in Capital Assets, Net of Related Debt are in a negative position at December 31, 2010, 2009 and 2008 as a result of the Authority repaying its capital related debt over a longer period than the capital assets useful lives. Restricted net assets increased \$303,352 in 2010 and \$626,757 in 2009 which is the result of how the Authority utilizes and finances Debt Service Reserves required under its bond covenants and Renewal and Replacement Reserves that provide for current and future capital related improvements and acquisitions. In addition, the Authority has an operating expense reserve established under the bond resolution which represents the net assets at year restricted for operating expenses (exclusive of depreciation).

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2010

(Continued)

OPERATING ACTIVITIES

The following table summarizes the changes in Net Assets between fiscal years 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES			
Sewer Fees	\$ 10,662,479	\$ 10,550,528	\$ 9,326,320
Solid Waste Fees	9,480,648	9,429,368	8,054,625
Municipal Solid Waste Contribution	1,200,000	1,200,000	1,200,000
Other	<u>1,060,868</u>	<u>1,114,299</u>	<u>1,127,331</u>
 Total Operating Revenues	 <u>22,403,995</u>	 <u>22,294,195</u>	 <u>19,708,276</u>
OPERATING EXPENSES			
Administration	4,873,186	4,570,472	4,449,507
Cost of Providing Services	14,393,124	13,445,019	13,796,010
Depreciation	<u>852,512</u>	<u>873,075</u>	<u>882,662</u>
 Total Operating Expenses	 <u>20,118,822</u>	 <u>18,888,566</u>	 <u>19,128,179</u>
OPERATING INCOME	 <u>2,285,173</u>	 <u>3,405,629</u>	 <u>580,097</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	1,033	1,184	166,535
Interest Expense	(942,971)	(1,024,044)	(1,079,683)
Other - Net	<u>(337,099)</u>	<u>(254,960)</u>	<u>(123,986)</u>
 Total Non-Operating Income (Expenses)	 <u>(1,279,037)</u>	 <u>(1,277,820)</u>	 <u>(1,037,134)</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	 1,006,136	 2,127,809	 (457,037)
EXTRAORDINARY ITEMS	 <u>-</u>	 <u>(638,374)</u>	 <u>-</u>
CHANGE IN NET ASSETS	 <u>\$ 1,006,136</u>	 <u>\$ 1,489,435</u>	 <u>\$ (457,037)</u>

Operating revenue increased \$109,800 and \$2,585,919 or less than 1% and 13% for the years 2010 and 2009, respectively. For 2010, solid waste rate increases of 3% went into effect in the second quarter of 2010. The sewer rates remained unchanged in 2010 from 2009. For 2009, sewer and solid waste rates increased 14% and 20%, respectively, and for 2008 both sewer and solid waste rates increased 10% over 2007. Other operating revenue decreased slightly in 2010 by \$53,431. This decrease in 2010 was the net effect of increased revenues realized from interest on delinquent accounts of approximately \$13,000 offset by decreases in miscellaneous sewer revenues of \$65,000. In 2009, other operating revenue decreased \$13,032. This decrease in 2009 was the net effect of increased revenues realized from interest on delinquent accounts of approximately \$101,000 offset by decreases in miscellaneous sewer revenues of \$27,000 and transfer station gate receipts of approximately \$87,000.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010
(Continued)**

OPERATING ACTIVITIES (Continued)

The collection rate of services billed to customers remained relatively unchanged during the current year from approximately 92% in 2009 to 93% in 2010. In past years the Authority's collection rates were closer to the 95% range or better. The decrease is the result of the current economic downturn and bankruptcy filings of several apartment complexes utilizing the Authority's services. Through the use of consistent billing and delinquency processes and the State authorized municipal tax lien sale, the Authority will continue to make every effort to maintain its collection rate within the 95% range.

Total operating expenses increased \$1,230,256 (7%) in 2010 and decreased \$239,613 (1%) in 2009. The increase in operating expenses in 2010 was mainly the result of rising costs in the collection and disposal of solid waste including transfer station operations which increased approximately \$832,000 or 12%. In addition, administrative expenses increased approximately \$303,000, or 7% in 2010. In 2009, the decrease in operating expenses was the result of cost savings and efficiencies of approximately \$351,000 realized in the direct cost of providing sewer and solid waste services to Authority customers. Savings in bulky waste, garbage and recycling disposal cost and vehicle repairs and maintenance costs were the primary causes for the decreases in operating expenses in 2009. Administrative expenses remained relatively stable in 2009 increasing approximately \$121,000, or 3%.

Total non-operating net expenses increased \$1,200 or less than 1% in 2010 and \$75,000 or 6% in 2009. In 2010 these expenses remained relatively unchanged from 2009. In 2009, this increase was primarily due to an increase in bad debt expense of \$196,000 offset by a decrease in interest expense of \$56,000 and an increase in grant revenue of \$42,000.

Interest income decreased approximately \$200 and \$165,000 in 2010 and 2009 or 13% and 99%, respectively; due mainly to decreasing interest rates during 2010 and 2009, and decreasing cash balances available for investing in 2010.

In 2009, the Authority reported an extraordinary item for the abandonment of certain capital projects associated with the sewer system. These project costs were reported as construction in progress in prior years but were deemed abandoned and written off in 2009 as the Authority does not expect to complete these projects in the foreseeable future.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2010

(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2010, 2009 and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,185,195	\$ 1,185,195	\$ 1,185,195
Land Improvements	63,499	33,338	39,254
Buildings and Building Improvements	482,780	504,665	526,550
Leasehold Improvements	6,445,497	6,800,218	7,145,641
Property and Equipment	1,098,354	1,482,169	1,902,782
Construction in Progress	<u>1,888,037</u>	<u>844,076</u>	<u>1,263,782</u>
Total	<u>\$ 11,163,362</u>	<u>\$ 10,849,661</u>	<u>\$ 12,063,204</u>

There were no major capital asset events during the current year. Work continues on the Rock Avenue sewer pump station reconstruction with an expected completeness date in spring of 2011. As previously discussed, the Authority elected to write-off certain costs in construction in progress in 2009 as the projects were not expected to be completed in the near future.

Additional information on the PMUA's capital assets can be found in the notes to the basic financial statements.

Capital Debt

The following table summarizes the changes in capital debt between fiscal 2010, 2009 and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Sewer Revenue Bonds	\$ 7,790,000	\$ 8,325,000	\$ 8,635,000
Solid Waste Revenue Bonds	12,457,259	12,801,007	13,216,453
Solid Waste Capital Leases	<u>36,813</u>	<u>71,929</u>	<u>105,425</u>
	<u>\$ 20,284,072</u>	<u>\$ 21,197,936</u>	<u>\$ 21,956,878</u>

Additional information on the PMUA's capital debt can be found in the notes to the basic financial statements.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2010

(Continued)

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- Sewer System and Solid Waste System service fee rates for 2011 remained unchanged from 2010.
- Bulky waste collection and disposal services included as a shared service to all City residents and business owners in 2011.
- Bankruptcy filings of major customers and their effect on future rates is still a major concern.
- Increasing solid waste disposal fees, fuel costs and vehicle replacement costs and their effect on future rates.
- Use of renewal and replacement reserves to finance 2011 budgetary costs in the solid waste system and its effect on future years rates.
- Increased pressure to control rising costs of employee salary and wages and employee health benefits.
- Continue to seek opportunities to provide services to customers and entities outside the City to generate new sources of income.

All of these factors were considered in preparing the PMUA's budget for the 2011 fiscal year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Plainfield, New Jersey citizens and rate payers and our customers, investors and creditors, with a general overview of the Authority's finances to demonstrate the PMUA's accountability for the Revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Chief Financial Officer at 127 Roosevelt Avenue, Plainfield, New Jersey 07060.

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BASIC FINANCIAL STATEMENTS

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Unrestricted Current Assets		
Cash	\$ 1,491,255	\$ 1,682,342
Accounts Receivable (net of allowance for uncollectibles)	6,859,253	5,712,743
Other Receivables	-	2,828
Due from City	69,922	81,819
Prepaid Items	8,779	8,883
Other Assets	<u>24,120</u>	<u>24,120</u>
 Total Unrestricted Current Assets	 <u>8,453,329</u>	 <u>7,512,735</u>
Restricted Current Assets		
Revenue Account		
Cash Equivalents	13,022	40,007
General Fund Account		
Cash Equivalents	422,735	216,546
Developers Escrow Account		
Cash	65,605	62,740
Revenue Bond Service Account		
Cash Equivalents	694,375	807,096
Revenue Bond Reserve Account		
Cash Equivalents	2,244,797	1,961,759
Revenue Bond Construction Account		
Cash Equivalents	-	715,074
Revenue Bond Cost of Issuance Account		
Cash Equivalents	2	113,725
Renewal and Replacement Account		
Cash Equivalents	<u>4,047,097</u>	<u>4,283,321</u>
 Total Restricted Current Assets	 <u>7,487,633</u>	 <u>8,200,268</u>
 Total Current Assets	 <u>15,940,962</u>	 <u>15,713,003</u>
Noncurrent Assets		
Deferred Charges		
Debt Issuance Costs (net of amortization)	<u>531,023</u>	<u>591,198</u>
Capital Assets		
Land	1,185,195	1,185,195
Land Improvements	79,024	43,024
Buildings and Building Improvements	722,765	722,765
Leasehold Improvements	8,202,363	8,202,363
Property and Equipment	7,694,829	7,608,577
Construction in Progress	1,888,037	844,076
Accumulated Depreciation	<u>(8,608,851)</u>	<u>(7,756,339)</u>
 Total Capital Assets (net of accumulated depreciation)	 <u>11,163,362</u>	 <u>10,849,661</u>
 Total Noncurrent Assets	 <u>11,694,385</u>	 <u>11,440,859</u>
 Total Assets	 <u>27,635,347</u>	 <u>27,153,862</u>

The Accompanying Notes are an Integral Part of the Basic Financial Statements

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 909,811	\$ 853,562
Capital Lease Payable	36,813	35,116
Accrued Expenses	38,750	36,051
Accrued Salary and Related Benefits	222,680	155,471
Accrued Interest Payable	1,628	3,181
Accrued Compensated Absences	65,786	24,206
Unearned Revenue	110,766	51,088
Other Liabilities	<u>40,559</u>	<u>39,445</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>1,426,793</u>	<u>1,198,120</u>
Current Liabilities (Payable from Restricted Assets)		
Accounts Payable	-	143,465
Revenue Bonds Payable	1,023,925	1,013,685
Accrued Interest on Bonds	71,761	58,078
Escrow Deposits Payable	<u>64,036</u>	<u>61,190</u>
Total Current Liabilities Payable from Restricted Assets	<u>1,159,722</u>	<u>1,276,418</u>
Total Current Liabilities	<u>2,586,515</u>	<u>2,474,538</u>
Non-Current Liabilities		
Revenue Bonds Payable (Net of Unamortized Discounts)	18,781,805	19,597,018
Capital Lease Payable	-	36,813
Deferred Pension Obligation	193,380	179,438
Accrued Severance Benefits	207,256	
Accrued Compensated Absences	263,143	217,854
Unearned Revenue	<u>-</u>	<u>51,089</u>
Total Non-Current Liabilities	<u>19,445,584</u>	<u>20,082,212</u>
Total Liabilities	<u>22,032,099</u>	<u>22,556,750</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	(5,786,075)	(5,742,996)
Restricted For:		
Debt Service	774,400	793,693
Debt Reserves	681,858	568,157
Renewal and Replacement	4,047,097	4,047,097
Operating Expense Reserves	2,161,136	1,952,192
Unrestricted	<u>3,724,832</u>	<u>2,978,969</u>
Total Net Assets	<u>\$ 5,603,248</u>	<u>\$ 4,597,112</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Sewer Fees	\$ 10,662,479	\$ 10,550,528
Solid Waste Fees	9,480,648	9,429,368
Municipal Solid Waste Contribution	1,200,000	1,200,000
Interest on Delinquent Balances	479,198	465,603
Miscellaneous	<u>581,670</u>	<u>648,696</u>
Total Operating Revenues	<u>22,403,995</u>	<u>22,294,195</u>
OPERATING EXPENSES		
Administration		
Board of Commissioners	126,015	146,964
Administrative and Executive	1,604,944	1,446,645
Finance and Accounting	1,300,488	1,244,850
Customer Service	808,034	745,820
Public Information	285,275	292,986
Information Technology	406,238	355,224
Human Resources	342,192	337,983
Cost of Providing Services		
Central Services	2,439,130	2,081,830
Sewer Operations	5,331,877	5,353,586
Solid Waste Collection and Disposal	4,276,323	3,737,613
Bulky Waste Pick-Up	473,700	511,644
Transfer Station	1,812,773	1,699,980
Public Can and Street Maintenance	59,321	60,366
Depreciation	<u>852,512</u>	<u>873,075</u>
Total Operating Expenses	<u>20,118,822</u>	<u>18,888,566</u>
OPERATING INCOME	<u>2,285,173</u>	<u>3,405,629</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	1,033	1,184
Interest Expense	(942,971)	(1,024,044)
Amortization of Costs of Issuance	(60,175)	(51,389)
Intergovernmental Grants	57,233	100,924
Bad Debt Expense	<u>(334,157)</u>	<u>(304,495)</u>
Total Non-Operating Income (Expenses)	<u>(1,279,037)</u>	<u>(1,277,820)</u>
INCOME BEFORE EXTRAORDINARY ITEMS	1,006,136	2,127,809
EXTRAORDINARY ITEMS		
Abandoned Capital Projects	<u>-</u>	<u>(638,374)</u>
CHANGE IN NET ASSETS	1,006,136	1,489,435
Total Net Assets, January 1	<u>4,597,112</u>	<u>3,107,677</u>
Total Net Assets, December 31	<u>\$ 5,603,248</u>	<u>\$ 4,597,112</u>

The Accompanying Notes are an Integral Part of the Basic Financial Statements

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 19,676,182	\$ 19,705,819
Cash Received from Municipality	1,200,000	1,200,000
Cash Paid to Suppliers	(12,702,366)	(12,122,617)
Cash Paid to Employees	<u>(6,300,183)</u>	<u>(5,922,559)</u>
Net Cash Provided by Operating Activities	<u>1,873,633</u>	<u>2,860,643</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Intergovernmental Grants	128,807	19,105
Proceeds from Escrow Deposits	<u>2,846</u>	<u>28,235</u>
Net Cash Provided by Non-Capital Financing Activities	<u>131,653</u>	<u>47,340</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Capital Debt	-	10,946,277
Principal Payments on Bonds	(1,013,685)	(11,873,698)
Principal Payment on Capital Leases	(35,116)	(33,496)
Acquisition of Capital Assets	(1,052,328)	(306,239)
Payment of Debt Issuance Costs	(100,727)	(227,884)
Interest Paid on Bonds	(704,709)	(959,166)
Interest Paid on Capital Leases	<u>(3,476)</u>	<u>(5,097)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(2,910,041)</u>	<u>(2,459,303)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>1,033</u>	<u>1,184</u>
Net Cash Provided by Investing Activities	<u>1,033</u>	<u>1,184</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(903,722)	449,864
Cash and Cash Equivalents, January 1,	<u>9,882,610</u>	<u>9,432,746</u>
Cash and Cash Equivalents, December 31,	<u>\$ 8,978,888</u>	<u>\$ 9,882,610</u>
ANALYSIS OF BALANCE AT DECEMBER 31		
Unrestricted - Cash and Cash Equivalents	\$ 1,491,255	\$ 1,682,342
Restricted - Cash and Cash Equivalents	<u>7,487,633</u>	<u>8,200,268</u>
	<u>\$ 8,978,888</u>	<u>\$ 9,882,610</u>

The Accompanying Notes are an Integral Part of the Basic Financial Statements

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities:		
Operating Income	\$ 2,285,173	\$ 3,405,629
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Provision for Uncollectible Accounts	(334,157)	(304,495)
Depreciation	852,512	873,075
(Increase)/Decrease in Accounts Receivable	(1,146,510)	(1,034,384)
(Increase)/Decrease in Other Receivables	2,828	1,204
(Increase)/Decrease in Prepaid Items	104	(875)
Increase/(Decrease) in Accounts Payable	(100,376)	(240,207)
Increase/(Decrease) in Accrued Expenses	2,699	1,661
Increase/(Decrease) in Accrued Salary and Related Benefits	67,209	18,936
Increase/(Decrease) in Accrued Severance Benefits	207,256	-
Increase/(Decrease) in Accrued Compensated Absences	86,869	20,614
Increase/(Decrease) in Unearned Revenue	(51,088)	(51,088)
Increase/(Decrease) in Other Liabilities	1,114	1,591
Increase/(Decrease) in Deferred Pension Obligation	-	168,982
	<u>(411,540)</u>	<u>(544,986)</u>
Total Adjustments		
Net Cash Provided by Operating Activities	\$ 1,873,633	\$ 2,860,643
Noncash Investing, Capital and Financing Activities:		
Purchase of Capital Assets on Account	\$ 235,258	\$ 121,371
Debt Issuance Costs on Account	-	100,727
Accretion of Capital Appreciation Bonds	134,937	128,252
Accrued Interest on Deferred Pension Obligation	13,942	10,456
Original Issue Discount	12,622	18,865
Original Issue Premium	(4,259)	(4,259)
Deferred Loss on Refunding	65,412	-

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NOTES TO BASIC FINANCIAL STATEMENTS

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Plainfield Municipal Utilities Authority (the "Authority"), a public body corporate and politic of the State of New Jersey, was created pursuant to the Municipal and County Utilities Authorities Law (the "Act") by virtue of an ordinance of the governing body of the City of Plainfield ("the City") duly and finally adopted by the City Council on September 18, 1995 and approved by the Mayor on September 20, 1995, pursuant to the act.

The City created the Authority for the principal purpose of undertaking and financing the required refurbishment, expansion and restructuring, as applicable, and operation of the Sewer System and Solid Waste System. To define the Authority's obligations with respect to the provision of the sewer and solid waste services and to effect the transfer of all Sewer System and Solid Waste System operations to the Authority, the Authority and the City entered into an Interlocal Agreement, dated October 17, 1997 (the "Interlocal Agreement"). The Interlocal Agreement provides, among other things, for the following: (1) the combined long-term lease or purchase, as applicable, of the entire Sewer System and Solid Waste System from the City by the Authority; (2) the establishment of annual rental charges payable by the Authority to the City for the leased components of the Sewer System; (3) the purchase price for the purchased components of the Sewer System; and (4) the establishment of annual rentals/installment purchase payments for the leased and purchased components of the Solid Waste System.

The Authority was also charged with the responsibility of developing, implementing and administering a system for the billing and collection of "user charges" from City residents for the use of the Sewer System. Concerning the Solid Waste System, the Authority was charged with establishing a coordinated solid waste collection process for the collection and disposal of all City solid waste and simultaneously collect solid waste user fees from City residents.

The Authority has broad powers under the Act including, among others, the following: to retain, operate and administer its property; to provide for bonds and to secure their payment and rights of holders thereof; to charge and collect service charges for the use of its facilities and to revise such service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and the interest on any bonds or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority is governed by a Board of Commissioners (the "Board") consisting of five members, and two alternative members, each of whom is appointed by the Mayor with the advice and consent of the City Council for staggered five-year terms. An Executive Director is appointed by the Board and functions as Chief Executive Officer responsible for the daily operations of the Authority. A Chief Financial Officer is appointed by the Board and oversees the fiscal affairs of the Authority.

The Governmental Accounting Standards Board (GASB) requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on such criteria, the Authority has no component units; however, the Authority is considered a component unit of the City of Plainfield.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Authority are organized on the basis of funds, in accordance with the 1997 Bond Resolution (see Note 3), each of which is considered a separate accounting activity. The operations of each system are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net assets, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

Proprietary Fund Type

Enterprise Fund - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges.

The Authority's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets and all liabilities associated with these operations are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 3).

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow FASB guidance issued subsequent to December 1, 1989.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sewer and solid waste services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. State grants for the operation of the sewer or solid waste system are considered nonoperating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

C. Assets, Liabilities and Net Assets

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit, deposits with the New Jersey Cash Management Fund and all short-term investments with original maturities of three months or less from the date of purchase. Investments are reported at market value and except for the operating accounts are limited by the 1997 Bond Resolution as amended and supplemented thereto. Operating account investments are limited by NJSA 40A:5-15.1 et seq.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

2. *Inventory*

The costs of inventories are deemed immaterial and are recognized as expenses when purchased. The Authority does not record inventory on its statement of net assets.

3. *Accounts Receivable*

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

4. *Prepaid Items*

Certain payments to vendor's effect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

5. *Interfunds Receivable and Payable*

During the course of its operations, the Authority has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have not been recorded.

6. *Restricted Assets*

Certain assets are classified as restricted on the statement of net assets because they are maintained in separate bank accounts and their use is limited by the 1997 Bond Resolution as amended and supplemented thereto, the 2007 Subordinate Bond Resolution or are held in trust for developers escrow deposits.

7. *Capital Assets*

All capital assets acquired or constructed by the Authority are reported as expenses in the account that finances the acquisition of the assets and are capitalized in the Operating Accounts. Capital assets are defined by the Authority as assets with an individual cost of \$2,000 and an estimated useful life of at least two years, or items which in aggregate exceed \$75,000 and an estimated useful life of at least two years. Such capital assets are valued at historical costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total net interest expense incurred by the Authority for the years ended December 31, 2010 and 2009 was \$942,971 and \$1,024,044, respectively. None of these amounts were included as part of the cost of capital assets under construction for these years.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

7. *Capital Assets* (Continued)

All capital assets are depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Class</u>	<u>Life</u>
Land Improvements	7 Years
Buildings and Building Improvements	20-40 Years
Leasehold Improvements	2-40 Years
Machinery and Equipment	3-15 Years
Vehicles	5 Years
Furniture and Computers	3 Years

8. *Deferred Charges*

Debt Issuance Costs

In connection with the Authority's issuance of debt, the Authority incurred certain debt issuance expenses from professionals, rating agencies, advertising and printing costs. These expenses are deferred and amortized over the lives of the respective debt.

9. *Compensated Absences*

Sick leave, personnel time, compensatory time and salary related payments and in certain instances vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employee for the benefits.

10. *Long-term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Gains and losses resulting from debt refinancing are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

11. *Net Assets*

Restricted net assets are limited to outside third-party restrictions either by law or by other organizations or persons external to the Authority. Unrestricted net assets represent the net assets neither restricted nor invested in capital assets, net of related debt.

12. *Reclassifications*

Certain reclassifications have been made to the December 31, 2009 balances to conform to the December 31, 2010 presentation.

13. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Accounting

The Authority annually prepares operating budgets for its Sewer and Solid Waste systems. The budgets are prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Budgetary control is exercised within the respective system. Unexpended appropriations lapse at year end.

The annual budgets are approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six Year Capital budgets are also prepared for each system. Included within the budgets are individual projects along with their estimated cost, completion date and source of funding.

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are designated at year-end and are either cancelled or are included as reappropriations of fund equity for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

2. Revenues

After the operating budgets are adopted, sewer and solid waste user rates are approved by the Board. Sewer user charges are directly imposed on users through quarterly bills based on water consumption provided by Elizabethtown Water Company and include a minimum usage charge. Revenue is recognized in the year that the user is billed.

Solid waste fees are imposed on users through quarterly bills based on the budget as adopted. Solid Waste fees are based on the number of units (households), pick-ups (frequency) and/or quantity (weight) per location or service and include a shared service component fee to all city residences and businesses. Revenue is recognized in the year the services are rendered.

3. Designated Unrestricted Net Assets

The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net assets. The Authority Board of Commissioners may formally dedicate net assets to establish designations of unrestricted net assets to meet policy adopted by the Board. As of December 31, 2010 and 2009, the Authority has not designated any unrestricted net assets.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 3 CREATION OF FUNDS

Under the original Bond Resolutions dated August 14, 1997 and amended and supplemented thereto, the following funds are required to be created and held by the Authority's Trustee:

- A) Construction Fund (Restricted)
- B) Revenue Fund (Restricted)
- C) Operating Fund (Unrestricted)
- D) Bond Service Fund (Restricted)
- E) Sinking Fund (Restricted)
- F) Bond Reserve Fund (Restricted)
- G) Renewal and Replacement Fund (Restricted)
- H) General Fund (Restricted)

Each of the above funds represents separate accounts held by a trustee, except for the Operating Accounts which are held by the Authority.

Only those funds and accounts that are presently required by the Trustee are described herein.

Construction Fund - To account for all financial resources received by the Authority for the payment of costs related to the construction, acquisition or restoration of the systems. All moneys that are on deposit in the Construction Account are pledged to secure the payment of the principal of, redemption premium, if any, and the interest on the Bonds.

Revenue Fund - To account for all revenues and deficiency advances received by the Authority. All revenues and deficiency advances deposited into the Revenue Fund are transferred by the Trustee on the transfer dates as defined by the Bond Resolution to the following funds described below.

Operating Fund - To account for the payment of all operating costs of the Authority.

Bond Service Fund - To account for the accumulation of resources for the payment of principal and interest due during the current fiscal year on outstanding bonds.

Sinking Fund - To account for the accumulation of resources required to pay principal on all term bonds in accordance with the Sinking Fund requirements. This fund is included in the Revenue Bond Service Accounts on the statement of net assets.

Bond Reserve Fund - To account for funds held in accordance with the Bond Resolution to meet the Bond Reserve requirement, an amount which is equal to the lesser of the amount equal to 125% of average annual debt service or the maximum annual debt service on outstanding bonds.

Renewal and Replacement Fund - To account for the accumulation of resources to meet the renewal and replacement reserve requirement, as certified by the Authority's consulting engineers, in accordance with the Bond Resolution. The Trustee can withdraw from this fund, upon a certification of the consulting engineers, for the use of reasonable and necessary expenses of the Authority with respect to major repairs, renewals, replacements, maintenance items, equipment or operating expenses.

General Fund - To account for the accumulation of resources resulting from excess monies which are not required to be maintained in any of the above funds. Withdrawals from this Fund are permitted for the funding of any deficit which may occur in the above funds, payments to the City under the revenue sharing percentage or to the Authority for any lawful purpose.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits - The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SPIC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2010 and 2009, the book value of the Authority's deposits were \$1,556,860 and \$1,745,082, respectively, and bank balances of the Authority's cash and deposits amounted to \$1,712,315 and \$1,811,746, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2010</u>	<u>2009</u>
Insured		
Restricted	\$ 65,605	\$ 62,740
Unrestricted	<u>1,646,710</u>	<u>1,749,006</u>
	<u>\$ 1,712,315</u>	<u>\$ 1,811,746</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2010 and 2009, none of the Authority's bank balances were exposed to custodial credit risk.

Investments – The Authority is required by its Bond Resolutions to maintain each of its investment in the fund (account) in which the investment is made. In all accounts, except the operating and developer escrow accounts, the securities and the underlying collateral are held by the Bond Trustees and are within their care, custody and control. The type, quality and length of time of investment are regulated by the Bond Resolution.

Investments permitted under the Authority's Bond Resolution include deposits or certificates of deposit with public depositories under the provisions of the Governmental Unit Deposit Protection Act, bonds or other obligations of the United States of America or obligations guaranteed by the United States of America., bond of any federal intermediate credit bank, federal home loan bank, federal land bank, federal national mortgage association, United States Bank for Cooperatives, export-import bank, Tennessee Valley Authority, government national mortgage association, farmer's home administration, federal financing bank, student loan marketing association, U.S. Postage Service and Resolution Funding Corporation, bonds or other obligations of the Authority or other obligations of school districts of which the district of the Authority is a part, in either case having a credit rating of at least "A" by Standard & Poor's Corporation, and/or Moody's Investors Service, bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investments of the Department of Treasury, the New Jersey Cash Management Fund, negotiable or non-negotiable certificates of deposit issued by any bank, savings and loan association, trust company or national banking association, full faith and credit obligation of any state, which is rated in either of the two highest rating categories, any obligations which are expressly authorized as permissible investments for municipal utilities authorities under the laws of the State of New Jersey.

The Authority is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

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

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2010</u>	<u>2009</u>
U.S. Government Security Funds:		
Restricted	\$ 7,422,028	\$ 8,137,528
 Cash Equivalents	 \$ 7,422,028	 \$ 8,137,528

Custodial Credit Risk - Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Board does not have a policy for custodial risk. As of December 31, 2010 and 2009 \$7,422,028 and \$8,137,528, respectively of the Authority’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2010</u>	<u>2009</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent but not in the Authority's name	\$ 7,422,028	\$ 8,137,528

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Bond Resolution and State law (N.J.S.A. 40A:5-15.1) limits investments as noted above. The Authority does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Authority places no limit in the amount the Authority may invest in any one issuer. 100% of the Authority’s investments are in U.S. Government Security Funds.

The fair value of the above-listed investments were based on market prices and values provided by the respective financial institution.

NOTE 5 RESTRICTED ASSETS

Bond covenants of the Authority require portions of the debt proceeds as well as other resources to be set aside for various purposes. These amounts are reported as restricted assets. The “Revenue Fund” account reserves all revenues received for future distribution to the various accounts of the Authority in accordance with the Bond Resolution. The “Construction Fund” account segregates cash and investments that are restricted for use in construction or capital asset acquisitions. Cash and investments restricted for debt service payment on bonds are segregated in “Bond Service Fund” and “Sinking Fund” accounts. Cash and investments reserved to meet future debt service contingencies are segregated in “Bond Reserve Fund” accounts. Cash and investments reserved for major repairs, renewals, replacements and non-routine maintenance items are segregated in “Renewal and Replacement Fund” accounts. Cash and investments reserved for funding any deficiencies under the bond resolution or for payment to the City under the revenue sharing percentage or future distribution to the Authority are segregated in the “General Fund” accounts. Cash and investments reserved to pay debt issuance costs on revenue bonds are segregated in the “Cost of Issuance” accounts.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 6 USER CHARGES RECEIVABLE

User charges receivable at December 31, 2010 and 2009, including the applicable Allowance for Doubtful Accounts, consisted of the following:

	December 31, <u>2010</u>	December 31, <u>2009</u>
Gross User Charges Receivable	\$ 8,202,015	\$ 6,397,177
Less: Allowance for Uncollectibles	<u>(1,342,762)</u>	<u>(684,434)</u>
Net User Charges Receivable	<u>\$ 6,859,253</u>	<u>\$ 5,712,743</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

	Balance January 1, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Capital assets, not being depreciated:				
Land	\$ 1,185,195			\$ 1,185,195
Construction in Progress	<u>844,076</u>	\$ 1,079,961	\$ (36,000)	<u>1,888,037</u>
Total capital assets, not being depreciated	<u>2,029,271</u>	<u>1,079,961</u>	<u>(36,000)</u>	<u>3,073,232</u>
Capital assets, being depreciated:				
Land Improvements	43,024	36,000		79,024
Buildings and Building Improvements	722,765			722,765
Leasehold Improvements	8,202,363			8,202,363
Property and Equipment	<u>7,608,577</u>	<u>86,252</u>	<u>-</u>	<u>7,694,829</u>
Total capital assets being depreciated	<u>16,576,729</u>	<u>122,252</u>	<u>-</u>	<u>16,698,981</u>
Less accumulated depreciation for:				
Land Improvements	(9,686)	(5,839)		(15,525)
Buildings and Building Improvements	(218,100)	(21,885)		(239,985)
Leasehold Improvements	(1,402,145)	(354,721)		(1,756,866)
Property and Equipment	<u>(6,126,408)</u>	<u>(470,067)</u>	<u>-</u>	<u>(6,596,475)</u>
Total accumulated depreciation	<u>(7,756,339)</u>	<u>(852,512)</u>	<u>-</u>	<u>(8,608,851)</u>
Total capital assets, being depreciated, net	<u>8,820,390</u>	<u>(730,260)</u>	<u>-</u>	<u>8,090,130</u>
Total capital assets, net	<u>\$ 10,849,661</u>	<u>\$ 349,701</u>	<u>\$ (36,000)</u>	<u>\$ 11,163,362</u>

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 CAPITAL ASSETS (Continued)

	Balance January 1, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Capital assets, not being depreciated:				
Land	\$ 1,185,195			\$ 1,185,195
Construction in Progress	<u>1,263,782</u>	\$ 218,668	\$ (638,374)	<u>844,076</u>
Total capital assets, not being depreciated	<u>2,448,977</u>	<u>218,668</u>	<u>(638,374)</u>	<u>2,029,271</u>
Capital assets, being depreciated:				
Land Improvements	43,024			43,024
Buildings and Building Improvements	722,765			722,765
Leasehold Improvements	8,192,805	9,558		8,202,363
Property and Equipment	<u>7,538,897</u>	<u>69,680</u>	-	<u>7,608,577</u>
Total capital assets being depreciated	<u>16,497,491</u>	<u>79,238</u>	-	<u>16,576,729</u>
Less accumulated depreciation for:				
Land Improvements	(3,770)	(5,916)		(9,686)
Buildings and Building Improvements	(196,215)	(21,885)		(218,100)
Leasehold Improvements	(1,047,164)	(354,981)		(1,402,145)
Property and Equipment	<u>(5,636,115)</u>	<u>(490,293)</u>	-	<u>(6,126,408)</u>
Total accumulated depreciation	<u>(6,883,264)</u>	<u>(873,075)</u>	-	<u>(7,756,339)</u>
Total capital assets, being depreciated, net	<u>9,614,227</u>	<u>(793,837)</u>	-	<u>8,820,390</u>
Total capital assets, net	<u>\$ 12,063,204</u>	<u>\$ (575,169)</u>	<u>\$ (638,374)</u>	<u>\$ 10,849,661</u>

NOTE 8 LONG-TERM DEBT

Revenue Bonds

On February 3, 1999, the Authority authorized the issuance of \$9,390,000 of Sewer System Revenue Bonds (the "1999 Sewer Bonds") and \$7,025,000 of Solid Waste System Revenue Bonds, (the "1999 Solid Waste Bonds").

The 1999 Sewer Bonds were issued to (i) permanently finance the Sewer System Acquisition and Improvements, (ii) provide monies to pay a portion of the 1999 Sewer Notes on their April 15, 2000 maturity date, (iii) fund the Bond Reserve Requirement for the 1999 Sewer Bonds, (iv) provide for the capitalized interest on the 1999 Sewer Bonds for the period from the date of their original issuance through December 15, 2000 and (vi) provide for payment of the costs of issuance related to the 1999 Sewer Bond. The 1999A Sewer Bonds were legally defeased by the 2009 Sewer System Revenue Refunding Bonds issued on December 30, 2010 as more fully described below.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 8 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

The 1999 Solid Waste Bonds were issued to (i) permanently finance the Solid Waste Acquisition and Improvements, (ii) provide for certain Solid Waste System operating expenses for an approximately one month period, (iii) reimburse the Sewer Operating Fund for certain preliminary Solid Waste System operating expenses previously funded on an interim basis, (iv) fund the Bond Reserve Requirement for the 1999 Solid Waste Bonds, (v) provide for capitalized interest on the 1999 Solid Waste Bonds for the period from their date of original issuance through December 15, 2000, and (vi) provide for payment of the costs of issuance related to the 1999 Solid Waste Bonds. The 1999A Solid Waste Bonds were legally defeased by the 2010 Solid Waste System Revenue Refunding Bonds issued on December 30, 2010 as more fully described below.

On September 17, 2003, the Authority authorized the issuance of \$1,935,000 of Sewer System Revenue Bonds (the "2003 Sewer Bonds") and \$5,414,004 of Solid Waste System Revenue Bonds, (the "2003 Solid Waste Bonds").

The 2003 Sewer Bonds were issued to: (i) permanently finance the construction of a garage for storage of sanitary sewer equipment and vehicles, construction of a 2,500 square foot field administration office building and conversion of the existing building at 127 Cottage Place to an equipment and vehicle maintenance garage; (ii) fund the bond reserve requirement; (iii) pay capitalized interest on the 2003 Sewer Bonds through October 1, 2004; and (iv) provide for payment of the costs of issuance related to the 2003 Sewer Bonds.

The 2003 Solid Waste Bonds were issued to: (i) permanently finance the acquisition of carts to be used in the Authority's curbside solid waste and recycling collection program; (ii) permanently finance the acquisition of vehicles to be used in the Authority's bulky waste and transfer station operations; (iii) permanently finance various improvements at the Rock Avenue Transfer Station presently operated by the Authority; (iv) fund the bond reserve requirement; (v) pay capitalized interest on the 2003 Solid Waste Bonds through April 1, 2004; and (vi) provide for payment of the costs of issuance related to the 2003 Solid Waste Bonds.

On April 5, 2007, the Authority authorized the issuance of \$2,100,000 of Subordinate Solid Waste System Revenue Bonds (the "2007 Solid Waste Bonds").

The 2007 Solid Waste Bonds were issued to: (i) permanently finance improvements at the Rock Avenue Transfer Station facility; (ii) pay capitalized interest on the 2007 Solid Waste Bonds through December 1, 2007; and (iii) provide for the payment of costs of issuance related to the 2007 Solid Waste Bonds.

On December 30, 2009 the Authority issued \$6,330,000 of Sewer System Revenue Refunding Bonds (the "2009 Sewer Bonds") and \$4,690,000 of Solid Waste System Revenue Refunding Bonds (the "2009 Solid Waste Bonds").

The 2009 Sewer Bonds were issued to: (i) currently refund all of the \$6,135,000 outstanding principal amount of Sewer System Revenue Bonds, Series 1999A, maturing on December 15 in each of the years 2011 through 2023, inclusive, and interest thereon, (ii) deposit funds into the Bond Reserve Fund, as necessary, and (iii) provide for payment of the costs of issuance related to the 2009 Sewer Bonds.

The 2009 Solid Waste Bonds were issued to: (i) currently refund all of the \$4,820,000 outstanding principal amount of Solid Waste System Revenue Bonds, Series 1999A, maturing on December 15 in each of the years 2011 through 2023, inclusive, and interest thereon, (ii) deposit funds into the Bond Reserve Fund, as necessary, and (iii) provide for payment of the costs of issuance related to the 2009 Solid Waste Bonds.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 8 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

Revenue Bonds outstanding at December 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
\$3,255,000 Sewer Revenue Bonds, Taxable Series. 1999B 5.65% to 6.00% due in annual installments of \$425,000 to \$450,000 on December 15, 2009 to 2010		\$ 450,000
\$1,935,000 Sewer Revenue Bonds, Series 2003 3.10% to 4.60% due in annual installments of \$85,000 to \$145,000 on October 1, 2009 to 2023	\$ 1,460,000	1,545,000
\$6,330,000 Sewer Revenue Refunding Bonds, Series 2009A 2.50% to 4.25% due in annual installments of \$395,000 to \$590,000 on December 15, 2011 to 2023	6,330,000	6,330,000
\$2,025,000 Solid Waste Revenue Bonds, Taxable Series 1999B 5.65% to 6.00% due in annual installments of \$250,000 to \$265,000 on December 15, 2009 to 2010	-	265,000
\$5,414,004 Solid Waste Revenue Bonds, Series 2003 3.10% to 5.34% due in annual installments of \$110,000 to \$945,000 on October 15, 2009 to 2023 (Includes Accretion of \$839,588 and \$704,651 through December 31, 2010 and 2009, respectively)	5,963,592	5,938,655
\$2,100,000 Subordinate Solid Waste Revenue Bonds, Series 2007 4.94% due in monthly installments of \$8,447 to \$16,232 on January 1, 2008 to April 1, 2023	1,803,667	1,907,352
\$4,690,000 Solid Waste Revenue Refunding Bonds, Series 2009A 2.50% to 4.25% due in annual installments of \$160,000 to \$480,000 on December 15, 2011 to 2023	<u>4,690,000</u>	<u>4,690,000</u>
Total	<u>\$ 20,247,259</u>	<u>\$ 21,126,007</u>

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 8 LONG-TERM DEBT (Continued)

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of December 31, 2010 is as follows:

Period Ending <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
	(1)		
2011	\$ 1,023,925	\$ 666,887	\$ 1,690,812
2012	1,109,429	632,972	1,742,401
2013	1,200,212	595,420	1,795,632
2014	1,311,287	554,355	1,865,642
2015	1,482,668	512,234	1,994,902
2016-2020	9,615,944	1,658,580	11,274,524
2021-2023	<u>6,480,202</u>	<u>286,331</u>	<u>6,766,533</u>
	22,223,667	<u>\$ 4,906,779</u>	<u>\$ 27,130,446</u>
Less: Unaccrued Value of Capital Appreciation Revenue Bonds at December 31, 2010	<u>(1,976,408)</u>		
	<u>\$ 20,247,259</u>		

(1) Includes accreted value at maturity of capital appreciation revenue bonds.

Current Refunding of Debt

On December 30, 2009 the Authority issued \$6,330,000 and \$4,390,000 in Sewer System and Solid Waste System Revenue Refunding Bonds, respectively, having an interest rate of 2.5% to 4.25%. These Bonds were issued in order to currently refund all principal maturities of the 1999A Sewer and Solid Waste Revenue Bonds. The total principal currently refunded was \$6,135,000 of Sewer Revenue Bonds and \$4,820,000 of Solid Waste Revenue Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$466,648. This amount is being netted against the new debt and amortized over the new debt's life, which is equal to the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next 14 years by \$499,522 and resulted in an economic gain of \$447,548.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 8 LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

The Authority's long-term liability activity for the years ended December 31, 2010 and 2009 are as follows:

	Balance, January 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<u>2010</u>					
Revenue Bonds	\$ 21,126,007	\$ 134,937	\$ (1,013,685)	\$ 20,247,259	\$ 1,023,925
Plus: Deferred Amounts for Issuance Premiums	56,432		(4,259)	52,173	
Less: Unamortized Loss on Refunding	(466,648)		65,412	(401,236)	
Less: Deferred Amounts for Issuance Discounts	(105,088)	-	12,622	(92,466)	-
Total Bonds Payable	20,610,703	134,937	(939,910)	19,805,730	1,023,925
Deferred Pension Obligation	179,438	13,942		193,380	
Capital Lease Payable	71,929		(35,116)	36,813	36,813
Compensated Absences	242,060	144,720	(57,851)	328,929	65,786
Accrued Severance Benefits		207,256		207,256	
Unearned Revenue	102,177	59,677	(51,088)	110,766	110,766
Long-Term Liabilities	<u>\$ 21,206,307</u>	<u>\$ 560,532</u>	<u>\$ (1,083,965)</u>	<u>\$ 20,682,874</u>	<u>\$ 1,237,290</u>
	January 1, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>2009</u>					
Revenue Bonds	\$ 21,851,453	\$ 11,148,252	\$(11,873,698)	\$ 21,126,007	\$ 1,013,685
Plus: Deferred Amounts for Issuance Premiums	60,691		(4,259)	56,432	
Less: Unamortized Loss on Refunding		(466,648)		(466,648)	
Less: Deferred Amounts for Issuance Discounts	(224,645)	(73,723)	193,280	(105,088)	-
Total Bonds Payable	21,687,499	10,607,881	(11,684,677)	20,610,703	1,013,685
Deferred Pension Obligation		179,438		179,438	
Capital Lease Payable	105,425		(33,496)	71,929	35,116
Compensated Absences	221,446	80,287	(59,673)	242,060	24,206
Unearned Revenue	153,265	-	(51,088)	102,177	51,088
Long-Term Liabilities	<u>\$ 22,167,635</u>	<u>\$ 10,867,606</u>	<u>\$(11,828,934)</u>	<u>\$ 21,206,307</u>	<u>\$ 1,124,095</u>

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 9 DEFICIENCY AGREEMENT

In connection with the Interlocal Services Agreement, the Authority and the City have entered into a Deficiency Agreement, dated as of October 17, 1997 (the "Deficiency Agreement"). The Deficiency Agreement requires the City to pay an annual charge to the Authority for any amounts which may be necessary to provide for any deficit in the operation and maintenance and debt service requirements of the Authority. The Deficiency Agreement may be terminated at any time, after the payment in full of all obligations including bonds of the Authority. As of December 31, 2010, the City has not been required to pay an annual charge to the Authority under the Deficiency Agreement.

NOTE 10 INTERLOCAL SERVICE AGREEMENT

The Authority entered into an Interlocal Agreement with the City of Plainfield (the City) dated October 17, 1997. Under the terms of the agreement, the City leased to the Authority the Sewer and Solid Waste Systems' assets for a period not greater than forty (40) years. During the lease term, the Authority is responsible for all costs of operating, repairing, constructing and maintaining the assets and the Systems, including, but not limited to, all utility and insurance costs and any taxes, fees, fines or other charges, and the City shall have no responsibility or liability with respect thereto.

In consideration for the lease of the Sewerage System Assets, the Authority paid to the City a lease payment of \$812,000 on June 1, 1998 and payments of \$1,062,000 which commenced on June 1, 1999 and payable on June 1 each year thereafter during the term of the Interlocal Agreement. As of June 1, 1999 and each June 1 thereafter, the lease payment amount is adjusted in accordance with the Escalation Factor as defined in the Interlocal Agreement

In consideration for the lease of the Solid Waste System Assets, the City shall appropriate as part of its annual budget, in each City Fiscal Year commencing July 1, 1997, an amount necessary to pay the cost of disposal of Solid Waste originating within the geographical boundaries of the City. The City appropriation is based upon an estimate of the Solid Waste tonnage available for disposal and the disposal cost per ton during the fiscal year as set forth in the certificate approved by resolution of the Authority. In addition, the Authority shall pay to the City as a lease payment for the Solid Waste System Assets, an amount equal to the difference between the amount the City appropriated and \$1,200,000. The City subsequently has elected to allow the Authority to pay all disposal costs directly. In turn, the City provides an appropriation in its budgets from which it pays an annual contribution of \$1,200,000 to the Authority for disposal costs.

The Interlocal Agreement also included a provision whereby the City agreed to sell to the Authority, for the additional sum of \$250,000, certain Assets of the Solid Waste System.

Under the Interlocal Agreement, the Authority agreed to pay the City its Revenue Sharing Percentage for each Fiscal Year, as set forth in the Agreement. After the close of each fiscal year the Authority is required to perform a calculation, in accordance with the Interlocal Agreement, of the Revenue Sharing Percentage, due the City, if any, for such fiscal year. The Authority was not required to pay any amounts to the City under the revenue sharing percentage for the years ended December 31, 2010 and 2009.

None of the properties owned or controlled by the City and connected to the Sewerage System are subject to the payment of Service Charges or other periodic charges. In addition, the City is not subject to the payment of Service Charges for any Solid Waste generated by the properties owned or controlled by the City. However, the City shall pay Service Charges for the cost of collection and disposal of Solid Waste illegally dumped on City owned property that the Authority collects and for which it arranges disposal at the direction of the City.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 INTERLOCAL SERVICE AGREEMENT (Continued)

The Assets purchased by the Authority are the property of the Authority, and the Authority has a leasehold interest in the leased Assets. The Assets leased and purchased by the Authority are deemed public property and, to the extent permitted by the Act, in particular held by the Authority for the use and benefit of the inhabitants and property owners of the City.

NOTE 11 LEASES

Operating Leases

As previously discussed, the Authority leases certain sewer system assets under an interlocal service agreement which will expire October 17, 2037. The lease payment for years ended December 31, 2010 and 2009 was \$1,546,440 and \$1,546,440, respectively. Future minimum lease payments for the next three years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$1,546,440
2012	1,546,440
2013	1,546,440

The lease payment amounts for the years 2012 and 2013 will be adjusted in accordance with the Escalation Factor as defined in the Interlocal Agreement.

In addition, the Authority leased office space to house the Authority's central services and human resources departments, vehicles and copiers. The lease terms are for 2 to 5 years. The lease payments for the years ended December 31, 2010 and 2009 were \$504,127 and \$414,860, respectively. The future minimum lease payments for these leases which include taxes, sewer, insurance, and heat on the leased office space but do not include adjustments to these costs that maybe required under the agreement are as follows:

<u>Year Ending December 31,</u>	<u>Office Space</u>	<u>Vehicles</u>	<u>Copiers</u>	<u>Total</u>
2011	\$ 194,803	\$ 120,877	\$ 17,161	\$ 332,841
2012	194,803	30,196	14,592	239,591
2013	<u>194,803</u>	<u>7,402</u>	<u>3,648</u>	<u>205,853</u>
Total	<u>\$ 584,409</u>	<u>\$ 158,475</u>	<u>\$ 35,401</u>	<u>\$ 778,285</u>

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 11 LEASES (Continued)

Capital Lease

The Authority is leasing a front end wheel loader totaling \$167,855 under a capital lease. The lease is for a term of 5 years.

The capital assets acquired through capital leases are as follows:

	<u>2010</u>	<u>2009</u>
Machinery and Equipment	\$ 167,855	\$ 167,855
Less: Accumulated Depreciation	<u>(162,260)</u>	<u>(128,689)</u>
Total	<u>\$ 5,595</u>	<u>\$39,166</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010 were as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2011	\$ 38,593
Less: Amounts representing Interest	<u>(1,780)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 36,813</u>

NOTE 12 ACCRUED COMPENSATED ABSENCES

Under the existing policies of the Authority, employees are allowed to accumulate (with certain restrictions) unused sick leave, personal time, compensatory time in lieu of overtime and vacation benefits over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement, termination in good standing or by extended absence immediately preceding retirement. It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$328,929 and \$227,982 at December 31, 2010 and 2009, respectively. These amounts are accrued as a liability at December 31, 2010 and 2009.

NOTE 13 ACCRUED SEVERANCE BENEFITS

Under the existing Employment Agreements (“Agreements”) with the Authority’s executive employees, certain severance payments may be due the employee if certain conditions are met should the employment contracts be cancelled or terminated. The Agreements are effective January 1, 2010 and are for periods of three to four years ending in 2012 and 2013. It is estimated that the current value of such accrued severance benefits would approximate \$582,036 at December 31, 2010 if all Agreements were not renewed on their expiration dates. The Authority has elected to amortize the accrued severance benefits over the term of the existing Agreements. As of December 31, 2010, \$207,256 has been accrued as a long-term liability.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 14 SEGMENT INFORMATION

The Authority issued revenue bonds to finance its sewer and solid waste systems. Both systems are accounted for in a single enterprise fund. However, investors in the sewer and solid waste revenue bonds rely solely on revenue generated by the individual activities of the respective system for repayment. Summary financial information for each system is presented below.

Condensed Statement of Net Assets

	<u>2010</u>		<u>2009</u>	
	<u>Sewer</u>	Solid <u>Waste</u>	<u>Sewer</u>	Solid <u>Waste</u>
Assets				
Unrestricted Current Assets	\$ 6,632,534	\$ 1,820,795	\$ 5,435,959	\$ 2,076,776
Restricted Current Assets	3,486,569	4,001,064	4,400,944	3,799,324
Other Assets	219,214	311,809	246,745	344,453
Capital Assets	<u>5,136,871</u>	<u>6,026,491</u>	<u>4,123,315</u>	<u>6,726,346</u>
Total Assets	<u>15,475,188</u>	<u>12,160,159</u>	<u>14,206,963</u>	<u>12,946,899</u>
Liabilities				
Current Liabilities	620,919	805,874	374,330	823,790
Current Liabilities Payable from Restricted Assets	569,275	590,447	701,847	574,571
Noncurrent Liabilities	<u>7,325,596</u>	<u>12,119,988</u>	<u>7,685,968</u>	<u>12,396,244</u>
Total Liabilities	<u>8,515,790</u>	<u>13,516,309</u>	<u>8,762,145</u>	<u>13,794,605</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	(1,760,563)	(4,025,512)	(2,256,100)	(3,486,896)
Restricted	5,058,019	2,606,472	4,868,151	2,492,988
Unrestricted	<u>3,661,942</u>	<u>62,890</u>	<u>2,832,767</u>	<u>146,202</u>
Total Net Assets (Deficit)	<u>\$ 6,959,398</u>	<u>\$ (1,356,150)</u>	<u>\$ 5,444,818</u>	<u>\$ (847,706)</u>

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 14 SEGMENT INFORMATION (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2010</u>		<u>2009</u>	
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Solid Waste</u>
Operating Revenues				
Sewer Fees	\$ 10,662,479		\$ 10,550,528	
Solid Waste Fees		\$ 9,480,648		\$ 9,429,368
Municipal Solid Waste Contribution		1,200,000		1,200,000
Other	313,501	747,367	373,989	740,310
Depreciation Expense	(135,057)	(717,455)	(142,648)	(730,427)
Other Operating Expenses	<u>(8,765,256)</u>	<u>(10,501,054)</u>	<u>(8,504,759)</u>	<u>(9,510,732)</u>
Operating Income (Loss)	<u>2,075,667</u>	<u>209,506</u>	<u>2,277,110</u>	<u>1,128,519</u>
Non-operating Revenues (Expenses)				
Interest Income	588	445	659	525
Interest Expense	(362,685)	(580,286)	(405,900)	(618,144)
Amortization Expense	(27,531)	(32,644)	(21,300)	(30,089)
Intergovernmental Grants		57,233		100,924
Bad Debt Expense	<u>(171,459)</u>	<u>(162,698)</u>	<u>(158,507)</u>	<u>(145,988)</u>
Total Non-Operating Revenues (Expenses)	<u>(561,087)</u>	<u>(717,950)</u>	<u>(585,048)</u>	<u>(692,772)</u>
Income (Loss) Before Extraordinary Items	1,514,580	(508,444)	1,692,062	435,747
Extraordinary Items	<u>-</u>	<u>-</u>	<u>(638,374)</u>	<u>-</u>
Change in Net Assets	1,514,580	(508,444)	1,053,688	435,747
Beginning Net Assets	<u>5,444,818</u>	<u>(847,706)</u>	<u>4,391,130</u>	<u>(1,283,453)</u>
Ending Net Assets	<u>\$ 6,959,398</u>	<u>\$ (1,356,150)</u>	<u>\$ 5,444,818</u>	<u>\$ (847,706)</u>

Condensed Statement of Cash Flows

	<u>2010</u>		<u>2009</u>	
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Solid Waste</u>
Net cash provided by (used for) by:				
Operating activities	\$ 1,520,962	\$ 352,671	\$ 1,788,570	\$ 1,072,073
Noncapital financing activities	2,846	128,807	28,235	19,105
Capital and related financing activities	(1,872,872)	(1,037,169)	(1,178,559)	(1,280,744)
Investing activities	<u>588</u>	<u>445</u>	<u>659</u>	<u>525</u>
Net increase/(decrease)	(348,476)	(555,246)	638,905	(189,041)
Beginning cash and cash equivalents	<u>6,889,771</u>	<u>2,992,839</u>	<u>6,250,866</u>	<u>3,181,880</u>
Ending cash and cash equivalents	<u>\$ 6,541,295</u>	<u>\$ 2,437,593</u>	<u>\$ 6,889,771</u>	<u>\$ 2,992,839</u>

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 15 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS

The Authority's bond covenants require certain restricted funds to be on deposit at year-end. The balances required to be on deposit at December 31, 2010 and 2009 are as follows:

	December 31, 2010			December 31, 2009		
	Sewer	Solid Waste	Total	Sewer	Solid Waste	Total
<u>Bond Service Fund</u>						
Required Balances	\$ 383,410	\$ 462,751	\$ 846,161	\$ 416,309	\$ 435,462	\$ 851,771
Cash and Investments	<u>465,663</u>	<u>228,712</u>	<u>694,375</u>	<u>457,036</u>	<u>350,060</u>	<u>807,096</u>
Excess or (Deficit)	<u>\$ 82,253</u>	<u>\$ (234,039)</u>	<u>\$ (151,786)</u>	<u>\$ 40,727</u>	<u>\$ (85,402)</u>	<u>\$ (44,675)</u>
<u>Bond Reserve Fund</u>						
Required Balances	\$ 792,430	\$ 1,411,921	\$ 2,204,351	\$ 842,036	\$ 1,371,739	\$ 2,213,775
Cash and Investments	<u>792,736</u>	<u>1,452,061</u>	<u>2,244,797</u>	<u>842,036</u>	<u>1,119,723</u>	<u>1,961,759</u>
Excess or (Deficit)	<u>\$ 306</u>	<u>\$ 40,140</u>	<u>\$ 40,446</u>	<u>\$ -</u>	<u>\$ (252,016)</u>	<u>\$ (252,016)</u>
<u>Renewal and Replacement Fund</u>						
Required Balances	\$ 2,156,097	\$ 1,891,000	\$ 4,047,097	\$ 2,156,097	\$ 1,891,000	\$ 4,047,097
Cash and Investments	<u>2,156,097</u>	<u>1,891,000</u>	<u>4,047,097</u>	<u>2,231,649</u>	<u>2,051,672</u>	<u>4,283,321</u>
Excess or (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,552</u>	<u>\$ 160,672</u>	<u>\$ 236,224</u>
<u>General Fund</u>						
Required Balances	-	-	-	-	-	-
Cash and Investments	<u>\$ 6</u>	<u>\$ 422,729</u>	<u>\$ 422,735</u>	<u>\$ 6</u>	<u>\$ 216,540</u>	<u>\$ 216,546</u>
Excess or (Deficit)	<u>\$ 6</u>	<u>\$ 422,729</u>	<u>\$ 422,735</u>	<u>\$ 6</u>	<u>\$ 216,540</u>	<u>\$ 216,546</u>

Operating Expense Reserve – Under the provisions of the Bond Resolution, the Authority is permitted to reserve in the Operating Fund together with the amount reserved in the Revenue Fund and the amount, if any, budgeted to be withdrawn from the Renewal and Replacement Fund for operating expenses an amount equal to the budgeted operating expenses for said fiscal year. Such amount must be on deposit for operating expenses along with the required balances for the Bond Service Fund, Bond Reserve Fund and Renewal and Replacement Fund prior to the withdrawal of amounts from the General Fund to the Authority that are forever free and clear of any lien or pledge created by the Bond Resolution. As of December 31, 2010 and 2009, the net amounts available for Operating Expense Reserves were as follows:

Year Ended	Solid		
	December 31, Sewer	Waste	Total
2010	\$ 2,161,136	-	\$ 2,161,136
2009	1,952,192	-	1,952,192

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Authority employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Authority employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers (i.e., the Authority) do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by each of the respective systems and is considered in the annual actuarial calculation of the required contributions for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pension.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation (Continued)

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for PERS; and (2) 5.45 percent for projected salary increases in PERS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.5% for PERS, and 5.5% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employee contribution.

During the years ended December 31, 2010, 2009 and 2008, the Authority, except for the amounts deferred during the year ended December 31, 2009, was required to contribute for normal cost pension contributions accrued liability pension contributions and non-contributory life insurance premiums, the following amounts which equaled the required contributions for each year:

<u>Year Ending December 31</u>	<u>PERS</u>	<u>DCRP</u>
2010	\$487,368	None
2009	210,990	None
2008	249,911	None

During the year ended December 31, 2009 the Authority elected to contribute 50% of its normal and accrued liability components of the PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$179,438 and will be paid back with interest over 15 years beginning in the 2012 year. The Authority is permitted to payoff the deferred PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at December 31, 2010 and 2009 is \$193,380 and \$179,438, respectively.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 17 OTHER INFORMATION

A. Contingent Liabilities

The Authority is a party defendant in some lawsuits, none of a kind unusual for an Authority of its size and scope of operation. In the opinion of the Authority's Attorneys the potential claims against the Authority not covered by insurance policies would not materially affect the financial condition of the Authority.

Chapter 11 Bankruptcies of Various Entities Owned by David Connolly – From August of 2009 through 2010 and to the present, the Authority has been presently defending its interests, before the United States Bankruptcy Court, District of New Jersey, with respect to solid waste and sewer service charge arrears owed it by various entities owned or controlled by David Connolly, that have filed for Chapter 11 bankruptcy protection before the United States Bankruptcy Court.

Mr. Connolly, or entities currently or previously under his ownership or control, either currently own, or in the past have owned, some 28 multi-family residential apartment complexes within the City of Plainfield, to which the Authority provides solid waste and sewer services. Throughout 2010, almost all of these 28 properties have, at some point, been in arrears with respect to service charges owed the Authority for sewer and solid waste services provided.

20 of the 28 properties have been, or are currently in, various stages of the Chapter 11 bankruptcy process. The Ch. 11 cases fall into 3 categories. Only one case is presently active. Other Connolly related entities sold their real property at auction overseen by the Bankruptcy Court in 2010, paid certain claims, and had their cases closed.

In the last category of cases, the Ch. 11 cases were dismissed by the Bankruptcy Court outright to permit State foreclosure actions to move forward.

In 2010, the Authority has had some success in recovering a portion of negotiated, pre-petition arrearage in some of these cases, and success in recouping almost all post-bankruptcy arrearage. Unfortunately, some pre-petition arrearage was effectively discharged, since the Authority had lien perfection issues in some of these cases. The Authority will continue to monitor the one active case through to conclusion, and will oversee eventual payment of a portion of pre-bankruptcy arrearage.

As of December 31 of 2010 Connolly currently or previously owned or operated entities, including both bankrupt and non-bankrupt entities, owed the Authority approximately \$500,000. The Authority has significantly increased its provision for the "Allowance for Doubtful Accounts" for all outstanding charges in arrears that filed under Chapter 11 bankruptcy protection.

B. Risk Management

The Authority is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Authority has obtained insurance coverage to guard against these events which will provide minimum exposure to the Authority should they occur.

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (NJUAJIF). The joint insurance fund is both an insured and self-administered group of authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The NJUAJIF is a risk-sharing public entity pool, providing coverage in amounts which are on file with the Executive Director.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 17 OTHER INFORMATION (Continued)

B. Risk Management (Continued)

The relationship between the Authority and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Authority is contractually obligated to make all annual and supplementary contributions to the insurance fund, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance pools. Members have a contractual obligation to fund any deficit of the insurance fund attributable to a membership year during which the municipality was a member.

The fund provides its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members.

There has been no significant reduction in insurance coverage from the previous year, nor have there been any settlements in excess of insurance coverages in any of the prior three years.

C. Post-Retirement Medical Benefits

The Authority currently does not provide employer paid post-retirement medical benefits to its active or retired employees.

NOTE 18 FEDERAL ARBITRAGE REGULATIONS

The Authority is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2010 and 2009, the Authority had no estimated arbitrage earnings due to the IRS.

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SUPPLEMENTARY SCHEDULES

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2010

	Sewer	Solid Waste	Total
ASSETS			
Unrestricted Current Assets			
Cash	\$ 3,054,726	\$ (1,563,471)	\$ 1,491,255
Accounts Receivable - (net of allowance for uncollectibles)	3,562,011	3,297,242	6,859,253
Due from City	-	69,922	69,922
Prepaid Items	3,737	5,042	8,779
Other Assets	12,060	12,060	24,120
Total Unrestricted Current Assets	6,632,534	1,820,795	8,453,329
Restricted Current Assets			
Revenue Account			
Cash Equivalents	6,460	6,562	13,022
General Fund Account			
Cash Equivalents	6	422,729	422,735
Developers Escrow Account			
Cash	65,605	-	65,605
Revenue Bond Service Account			
Cash Equivalents	465,663	228,712	694,375
Revenue Bond Reserve Account			
Cash Equivalents	792,736	1,452,061	2,244,797
Revenue Bond Cost of Issuance Account			
Cash Equivalents	2	-	2
Renewal and Replacement Account			
Cash Equivalents	2,156,097	1,891,000	4,047,097
Total Restricted Current Assets	3,486,569	4,001,064	7,487,633
Total Current Assets	10,119,103	5,821,859	15,940,962
Noncurrent Assets			
Deferred Charges			
Debt Issuance Costs (net of amortization)	219,214	311,809	531,023
Capital Assets			
Land	1,161,085	24,110	1,185,195
Land Improvements	73,087	5,937	79,024
Buildings and Building Improvements	476,316	246,449	722,765
Leasehold Improvements	2,337,056	5,865,307	8,202,363
Property and Equipment	1,881,566	5,813,263	7,694,829
Construction in Progress	1,711,923	176,114	1,888,037
Accumulated Depreciation	(2,504,162)	(6,104,689)	(8,608,851)
Total Capital Assets (Net of accumulated depreciation)	5,136,871	6,026,491	11,163,362
Total Noncurrent Assets	5,356,085	6,338,300	11,694,385
Total Assets	15,475,188	12,160,159	27,635,347

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2010

	Sewer	Solid Waste	Total
LIABILITIES			
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable	\$ 416,386	\$ 493,425	\$ 909,811
Capital Lease Payable	-	36,813	36,813
Accrued Expenses	20,685	18,065	38,750
Accrued Salary and Related Benefits	82,592	140,088	222,680
Accrued Interest Payable	-	1,628	1,628
Accrued Compensated Absences	28,003	37,783	65,786
Unearned Revenue	51,089	59,677	110,766
Other Liabilities - Overpayments	22,164	18,395	40,559
Total Current Liabilities Payable from Unrestricted Assets	<u>620,919</u>	<u>805,874</u>	<u>1,426,793</u>
Current Liabilities (Payable from Restricted Assets)			
Revenue Bonds Payable	480,000	543,925	1,023,925
Accrued Interest on Bonds	25,239	46,522	71,761
Escrow Deposits Payable	64,036	-	64,036
Total Current Liabilities Payable from Restricted Assets	<u>569,275</u>	<u>590,447</u>	<u>1,159,722</u>
Total Current Liabilities	<u>1,190,194</u>	<u>1,396,321</u>	<u>2,586,515</u>
Non-Current Liabilities			
Revenue Bonds Payable (net of unamortized discounts)	7,046,465	11,735,340	18,781,805
Deferred Pension Obligation	63,490	129,890	193,380
Accrued Severance Benefits	103,628	103,628	207,256
Accrued Compensated Absences	112,013	151,130	263,143
Total Non-Current Liabilities	<u>7,325,596</u>	<u>12,119,988</u>	<u>19,445,584</u>
Total Liabilities	<u>8,515,790</u>	<u>13,516,309</u>	<u>22,032,099</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	(1,760,563)	(4,025,512)	(5,786,075)
Restricted For:			
Debt Service	358,171	416,229	774,400
Debt Reserves	382,615	299,243	681,858
Renewal and Replacement	2,156,097	1,891,000	4,047,097
Operating Expense Reserves	2,161,136	-	2,161,136
Unrestricted	3,661,942	62,890	3,724,832
Total Net Assets	<u>\$ 6,959,398</u>	<u>\$ (1,356,150)</u>	<u>\$ 5,603,248</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
OPERATING REVENUES			
Sewer Fees	\$ 10,662,479		\$ 10,662,479
Solid Waste Fees		\$ 9,480,648	9,480,648
Municipal Solid Waste Contribution		1,200,000	1,200,000
Interest on Delinquent Balances	276,800	202,398	479,198
Miscellaneous	36,701	544,969	581,670
	<u>10,975,980</u>	<u>11,428,015</u>	<u>22,403,995</u>
Total Operating Revenues			
OPERATING EXPENSES			
Administration			
Board of Commissioners	61,798	64,217	126,015
Administrative and Executive	803,561	801,383	1,604,944
Finance and Accounting	649,288	651,200	1,300,488
Customer Service	404,011	404,023	808,034
Public Information	142,692	142,583	285,275
Information Technology	202,182	204,056	406,238
Human Resources	171,096	171,096	342,192
Cost of Providing Services			
Central Services	998,751	1,440,379	2,439,130
Sewer Operations	5,331,877		5,331,877
Solid Waste Collection and Disposal		4,276,323	4,276,323
Bulky Waste Pick-Up		473,700	473,700
Transfer Station		1,812,773	1,812,773
Public Can and Street Maintenance		59,321	59,321
Depreciation	135,057	717,455	852,512
	<u>8,900,313</u>	<u>11,218,509</u>	<u>20,118,822</u>
Total Operating Expenses			
OPERATING INCOME	<u>2,075,667</u>	<u>209,506</u>	<u>2,285,173</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	588	445	1,033
Interest Expense	(362,685)	(580,286)	(942,971)
Amortization of Costs of Issuance	(27,531)	(32,644)	(60,175)
Intergovernmental Grants		57,233	57,233
Bad Debt Expense	(171,459)	(162,698)	(334,157)
	<u>(561,087)</u>	<u>(717,950)</u>	<u>(1,279,037)</u>
Total Non-Operating Income (Expenses)			
CHANGE IN NET ASSETS	1,514,580	(508,444)	1,006,136
Total Net Assets, Beginning of Year	<u>5,444,818</u>	<u>(847,706)</u>	<u>4,597,112</u>
Total Net Assets, End of Year	<u>\$ 6,959,398</u>	<u>\$ (1,356,150)</u>	<u>\$ 5,603,248</u>

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 10,118,991	\$ 9,557,191	\$ 19,676,182
Cash Received from Municipality		1,200,000	1,200,000
Cash Paid to Suppliers	(6,353,519)	(6,348,847)	(12,702,366)
Cash Paid to Employees	<u>(2,244,510)</u>	<u>(4,055,673)</u>	<u>(6,300,183)</u>
Net Cash Provided by Operating Activities	<u>1,520,962</u>	<u>352,671</u>	<u>1,873,633</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Intergovernmental Grants		128,807	128,807
Proceeds from Escrow Deposits	<u>2,846</u>	<u>-</u>	<u>2,846</u>
Net Cash Provided by Non-Capital Financing Activities	<u>2,846</u>	<u>128,807</u>	<u>131,653</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payment on Bonds	(535,000)	(478,685)	(1,013,685)
Principal Payment on Capital Leases		(35,116)	(35,116)
Acquisition of Capital Assets	(984,894)	(67,434)	(1,052,328)
Payment of Debt Issuance Costs	(45,942)	(54,785)	(100,727)
Interest Paid on Bonds	(307,036)	(397,673)	(704,709)
Interest Paid on Capital Leases	<u>-</u>	<u>(3,476)</u>	<u>(3,476)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,872,872)</u>	<u>(1,037,169)</u>	<u>(2,910,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>588</u>	<u>445</u>	<u>1,033</u>
Net Cash Provided by Investing Activities	<u>588</u>	<u>445</u>	<u>1,033</u>
Net (Decrease) in Cash and Cash Equivalents	(348,476)	(555,246)	(903,722)
Cash and Cash Equivalents, January 1, 2010	<u>6,889,771</u>	<u>2,992,839</u>	<u>9,882,610</u>
Cash and Cash Equivalents, December 31, 2010	<u>\$ 6,541,295</u>	<u>\$ 2,437,593</u>	<u>\$ 8,978,888</u>
ANALYSIS OF BALANCE AT DECEMBER 31, 2010			
Unrestricted - Cash and Cash Equivalents	\$ 3,054,726	\$ (1,563,471)	\$ 1,491,255
Restricted - Cash and Cash Equivalents	<u>3,486,569</u>	<u>4,001,064</u>	<u>7,487,633</u>
	<u>\$ 6,541,295</u>	<u>\$ 2,437,593</u>	<u>\$ 8,978,888</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income	\$ 2,075,667	\$ 209,506	\$ 2,285,173
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities:			
Provision for Uncollectible Accounts	(171,459)	(162,698)	(334,157)
Depreciation	135,057	717,455	852,512
(Increase)/Decrease in Accounts Receivable	(632,486)	(514,024)	(1,146,510)
(Increase)/Decrease in Other Accounts Receivable	1,414	1,414	2,828
(Increase)/Decrease in Prepaid Items	396	(292)	104
Increase/(Decrease) in Accounts Payable	(1,408)	(98,968)	(100,376)
Increase/(Decrease) in Accrued Expenses	1,823	876	2,699
Increase/(Decrease) in Accrued Salary and Related Benefits	25,340	41,869	67,209
Increase/(Decrease) in Severance Benefits	103,628	103,628	207,256
Increase/(Decrease) in Accrued Compensated Absences	37,448	49,421	86,869
Increase/(Decrease) in Unearned Revenue	(51,088)		(51,088)
Increase/(Decrease) in Other Liabilities	(3,370)	4,484	1,114
	<u>(554,705)</u>	<u>143,165</u>	<u>(411,540)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,520,962</u>	<u>\$ 352,671</u>	<u>\$ 1,873,633</u>
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	\$ 224,459	\$ 10,799	\$ 235,258
Accretion of Capital Appreciation Bonds		134,937	134,937
Accrued Interest on Deferred Pension Obligation	4,577	9,365	13,942
Original Issue Discount	6,708	5,914	12,622
Original Issue Premium		(4,259)	(4,259)
Deferred Loss on Refunding	36,101	29,311	65,412

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SEWER
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 Modified Budget	2010 Actual	Variance Excess (Deficit)	2009 Actual
OPERATING REVENUES				
Service Charges	\$ 10,945,000	\$ 10,662,479	\$ (282,521)	\$ 10,550,528
Interest on Delinquent Accounts	150,000	276,800	126,800	271,932
Miscellaneous Fees	-	36,701	36,701	102,057
	<u>11,095,000</u>	<u>10,975,980</u>	<u>(119,020)</u>	<u>10,924,517</u>
NON-OPERATING REVENUES				
Interest on Investments	-	588	588	659
	<u>-</u>	<u>588</u>	<u>588</u>	<u>659</u>
Total Non-Operating Revenues	-	588	588	659
Total Sewer Revenues	<u>\$ 11,095,000</u>	<u>10,976,568</u>	<u>\$ (118,432)</u>	<u>10,925,176</u>
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	\$ 1,290,053	1,329,026	\$ (38,973)	1,169,147
Fringe Benefits	530,124	484,817	45,307	458,320
Other Expenses	710,794	620,785	90,009	662,880
	<u>2,530,971</u>	<u>2,434,628</u>	<u>96,343</u>	<u>2,290,347</u>
COST OF PROVIDING SERVICES				
Salaries and Wages	1,085,754	1,081,900	3,854	1,018,564
Fringe Benefits	508,119	504,974	3,145	500,921
Other Expenses	4,902,521	4,743,754	158,767	4,694,927
	<u>6,496,394</u>	<u>6,330,628</u>	<u>165,766</u>	<u>6,214,412</u>
Total Cost of Providing Services	6,496,394	6,330,628	165,766	6,214,412
NON-OPERATING APPROPRIATIONS				
Interest Payments on Debt	379,073	307,036	72,037	406,773
Principal Payments on Debt	535,000	535,000	-	505,000
Other Reserves	598,102	171,459	426,643	158,507
Accumulated Deficit	-	-	-	187,000
	<u>1,512,175</u>	<u>1,013,495</u>	<u>498,680</u>	<u>1,257,280</u>
Total Non-Operating Appropriations	1,512,175	1,013,495	498,680	1,257,280
CAPITAL OUTLAY				
	<u>555,460</u>	<u>476,259</u>	<u>79,201</u>	<u>125,524</u>
Total Appropriations	<u>\$ 11,095,000</u>	<u>10,255,010</u>	<u>\$ 839,990</u>	<u>9,887,563</u>
Total Budgetary Income (Balance forward)		\$ 721,558		\$ 1,037,613

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SEWER
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 Modified <u>Budget</u>	2010 <u>Actual</u>	Variance Excess <u>(Deficit)</u>	2009 <u>Actual</u>
Total Budgetary Income (Brought forward)		\$ 721,558		\$ 1,037,613
Reconciliation of Budgetary Income to Change in Net Assets - GAAP				
Increases to Budgetary Income:				
Reserve for Prior Year Deficit Budgetary Charge				187,000
Principal Paid on Bonds Payable - Net		535,000		505,000
Accrued Interest on Bonds Payable - Net				14,588
Capital Outlay Budgetary Charge		476,259		125,524
Decreases to Budgetary Income:				
Amortization of Debt Issuance Costs		(27,531)		(21,300)
Interest Expense - Original Issue Discount		(6,708)		(10,282)
Interest Expenses - Loss on Refunding		(36,101)		
Depreciation		(135,057)		(142,648)
Accrued Interest on Deferred Pension Obligation		(4,577)		(3,433)
Accrued Interest on Bonds Payable - Net		<u>(8,263)</u>		<u>-</u>
Changes in Net Assets - GAAP		\$ 1,514,580		\$ 1,692,062

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 Modified Budget	2010 Actual	Variance Excess (Deficit)	2009 Actual
OPERATING REVENUES				
Service Charges	\$ 9,741,400	\$ 9,480,648	\$ (260,752)	\$ 9,429,368
Municipal Solid Waste Contribution	1,200,000	1,200,000		1,200,000
Interest on Delinquent Accounts	135,000	202,398	67,398	193,671
Miscellaneous Fees	550,000	544,969	(5,031)	546,639
Total Operating Revenues	<u>11,626,400</u>	<u>11,428,015</u>	<u>(198,385)</u>	<u>11,369,678</u>
NON-OPERATING REVENUES				
Interest on Investments		445	445	525
Intergovernmental Grant	45,000	57,233	12,233	100,924
Reserve for Renewal and Replacement	329,652	-	(329,652)	-
Total Non-Operating Revenues	<u>374,652</u>	<u>57,678</u>	<u>(316,974)</u>	<u>101,449</u>
Total Solid Waste Revenues	<u>12,001,052</u>	<u>11,485,693</u>	<u>(515,359)</u>	<u>11,471,127</u>
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	1,290,353	1,329,198	(38,845)	1,169,147
Fringe Benefits	526,774	484,540	42,234	458,320
Other Expenses	658,964	624,820	34,144	652,658
Total Administration	<u>2,476,091</u>	<u>2,438,558</u>	<u>37,533</u>	<u>2,280,125</u>
COST OF PROVIDING SERVICES				
Salaries and Wages	2,928,375	2,921,393	6,982	2,605,248
Fringe Benefits	1,421,612	1,415,028	6,584	1,259,699
Other Expenses	3,909,490	3,726,075	183,415	3,365,660
Total Cost of Providing Services	<u>8,259,477</u>	<u>8,062,496</u>	<u>196,981</u>	<u>7,230,607</u>
NON-OPERATING APPROPRIATIONS				
Principal Payment on Debt	513,801	513,801	-	447,194
Interest Payment on Debt	468,233	401,150	67,083	491,626
Other Reserves	265,000	162,698	102,302	145,988
Accumulated Deficit	-	-	-	250,000
Total Non-Operating Appropriations	<u>1,247,034</u>	<u>1,077,649</u>	<u>169,385</u>	<u>1,334,808</u>
CAPITAL OUTLAY				
	<u>18,450</u>	<u>17,600</u>	<u>850</u>	<u>75,542</u>
Total Appropriations	<u>12,001,052</u>	<u>11,596,303</u>	<u>404,749</u>	<u>10,921,082</u>
Total Budgetary Income (Loss) (Balance Forward)		(110,610)		550,045

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE
FOR THE YEAR ENDED DECEMBER 31, 2010
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2009)

	2010 Modified <u>Budget</u>	2010 <u>Actual</u>	Variance Excess <u>(Deficit)</u>	2009 <u>Actual</u>
Total Budgetary Income (Loss) (Brought forward)	\$	(110,610)		\$ 550,045
Reconciliation of Budgetary Income to				
Change in Net Assets - GAAP				
Increases to Budgetary Income (Loss):				
Reserve for Prior Year Deficit Budgetary Charge				250,000
Principal Paid on Bonds Payable		478,685		413,698
Principal Paid on Capital Leases		35,116		33,496
Interest Expense - Original Issue Premium		4,259		4,259
Accrued Interest on Bonds Payable - Net				13,081
Capital Outlay Budgetary Charge		17,600		75,542
Decreases to Budgetary Income (Loss):				
Amortization of Debt Issuance Costs		(32,644)		(30,089)
Interest Expense - Capital Appreciation Bonds		(134,937)		(128,252)
Interest Expense - Original Issue Discount		(5,914)		(8,583)
Interest Expense - Loss on Refunding		(29,311)		
Accrued Interest on Deferred Pension Obligation		(9,365)		(7,023)
Depreciation		(717,455)		(730,427)
Accrued Interest on Bonds Payable - Net		(3,868)		-
Changes in Net Assets - GAAP		<u>\$ (508,444)</u>		<u>\$ 435,747</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
AS OF DECEMBER 31, 2010

Authority Board Members

Position

Harold Mitchell	Chairperson
Carol Ann Brokaw, Esq.	Vice-Chairperson
Alex Toliver	Secretary
David M. Beck	Treasurer
Rev. Tracey L. Brown	Commissioner
Eugene Dudley	Commissioner

Authority Executive Staff

Eric C. Watson	Executive Director
David W. Ervin	Assistant Executive Director
James R. Perry	Chief Financial Officer & Director of Financial Operations
Duane D. Young	Comptroller

Consultants and Advisors

McManimon and Scotland, L.L.C.	General Counsel
CME Associates	Sewer Consulting Engineer
T & M Associates	Solid Waste Consulting Engineers

GOVERNMENT AUDITING STANDARDS REPORT

AND

SCHEDULE OF FINDINGS AND RESPONSES

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

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

Honorable Chairman and Members of the Board
Plainfield Municipal Utilities Authority
Plainfield, New Jersey

We have audited the financial statements of the Plainfield Municipal Utilities Authority as of and for the year ended December 31, 2010, and have issued our report thereon dated April 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses as item 2010-2 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of significant deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plainfield Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2010-1.

We also noted certain matters that we reported to management of the Plainfield Municipal Utilities Authority in the section of this report of audit entitled "General Comments and Recommendations".

The Plainfield Municipal Utilities Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the governing body, management, New Jersey Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.

LERCH, VINCI & HIGGINS, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
April 29, 2011

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part I – Summary of Auditor’s Results

Financial Statement Section

- | | | |
|---|----------------------------|---------------------------------|
| A) Type of auditors' report issued: | <u>Unqualified Opinion</u> | |
| B) Internal control over financial reporting: | | |
| 1) Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| 2) Were significant deficiencies identified that were not considered to be material weaknesses? | <u> X </u> yes | <u> </u> none reported |
| C) Noncompliance material to the basic financial statements noted? | <u> X </u> yes | <u> </u> no |

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding 2010-1:

The Bond Service Fund Account cash balances for the solid waste system were below the minimum requirement at December 31, 2010. In addition, we noted excess funds were on deposit in the General Fund Account for the solid waste system.

Criteria:

Bond Resolutions.

Condition:

The required reserve funds for the solid waste system were not transferred by the Authority's Bond Trustee from the Authority's General Fund Account into the Revenue Bond Debt Service Fund Account as of December 31, resulting in a deficiency of \$234,039 at year end.

Context:

As of December 31, 2010 the solid waste systems Revenue Bond Debt Service Fund Account cash requirement of \$462,751 was underfunded in the amount of \$234,039.

Effect:

Reserve account cash balances which are less than the amounts required at December 31 are not in compliance with the Bond Resolution.

Cause:

Cash balances on December 31, 2010 were not sufficient to meet bond resolution required reserve balances.

Recommendation:

The Authority's Solid Waste Bond Trustee transfer the excess funds in the General Fund Account into the Revenue Bond Service Fund Account in accordance with the requirements of the bond resolution.

Response:

Management agrees with the finding and has notified the solid waste Bond Trustee to complete the required transfer at the December 1 transfer date to ensure the Bond Service requirements are funded at December 31.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding 2010-2:

Our review of certain solid waste container service contracts revealed current contract addendums were not on file and available for audit. We noted certain contract terms (i.e., number of pick-ups and containers) did not agree with amounts billed for services. In addition, certain contract billings did not appear to be updated for new container rates and fees.

Criteria:

Internal Controls over Revenue/Billing Cycle.

Condition:

Current contract addendums for solid waste container services were not available and updated to reflect current services being provided and billed for at the current rates and fees approved by the Board.

Context:

None of the solid waste container service contracts reviewed had currently updated contract addendums for 2010.

Effect:

Solid waste container service customers may not be properly billed for current services being rendered.

Cause:

Unknown.

Recommendation:

A review be made of all solid waste container service contracts to ensure updated contract addendums be prepared and filed to reflect current services being provided at the current approved rates and fees.

Response:

Management has reviewed this finding and indicated corrective action will be put in place to update all contract addendums.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding 2009-1:

Condition:

The Authority incurred certain expenses for vehicle repairs; maintenance and supplies, which were properly approved by the Authority as "not to exceed" contracts. However, the amounts incurred for these services exceeded the specified maximums per the approved contracts.

Current Status:

Corrective action was taken.

Finding 2009-2:

Condition:

The Bond Reserve Fund Account and Bond Service Fund Account cash balances for the solid waste system were below the minimum requirement at December 31, 2009. In addition, we noted excess funds were on deposit in the General Fund Account and Renewal and Replacement Fund Account for the solid waste system.

Current Status:

See Finding 2010-1.

GENERAL COMMENTS AND RECOMMENDATIONS

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Prior Year Findings:

Our audit revealed the 2010 approved sewer and solid waste rates and fees were not formally memorialized in the sanitary sewer and solid waste rules and regulations. It is recommended that approved sewer and solid waste rates and fees be formally memorialized in the rules and regulations.

We noted certain travel and business expense reimbursements were either not properly supported or were for items which may not have been permitted under the approved Board policy. In addition, we noted travel approval and expense reimbursement forms that were not attached to certain purchase orders, and expense reimbursement forms that were not approved. It is recommended that continued efforts be made to ensure employee travel and business expense reimbursements be made in accordance with the business travel and reimbursement guidelines and policies approved by the Board.

Our audit revealed that the lease agreement for office space requires a year end reconciliation by the landlord for the escalations and related costs for the year we were not provided with said reconciliation for the current year end. It is recommended that the Authority review the requirements under its office space lease agreement to have a year end reconciliation prepared of the escalations and the related costs for the year.

Current Year Findings

Our audit of a vehicle maintenance and repair contract awarded as a time and material per unit contract revealed the vendor invoices were not sufficiently detailed to ensure amounts charged were in accordance with approved labor rates and material discounts. It is recommended a review be made of all time and material contracts to ensure vendor invoices provided for payment are sufficiently detailed in accordance with approved contract terms.

Our audit revealed monthly vendor invoices for gasoline purchases were not reconciled to gas receipt tickets received by Authority personnel as required by Board policy. It is recommended that procedures be implemented to reconcile monthly vendor invoices for gasoline purchases to individual gas receipt tickets received by Authority personnel.

Our audit of the compensated absence liability revealed personnel records did not in certain instances accurately reflect days taken and reductions for buy-outs. We also noted individuals with negative time available on their personnel records at year end. In addition, we noted certain executive staff's liability was not calculated in accordance with their individual employment contracts. It is recommended that greater care be taken in accounting for compensated absences in personnel records and calculations be reviewed to ensure they agree to approved employment contracts.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Suggestions to Management and Commissioners

- A review be made of capital assets, specifically equipment, to determine old and obsolete equipment which should be removed from the capital asset inventory.
- A review be made with the Authority attorney of all amounts due under bankruptcy filings to ensure all discharged amounts have been accounted for properly.

Appreciation

We desire to express our appreciation to the Executive Director, Assistant Executive Director, Chief Financial Officer, Comptroller and the other Authority staff who assisted us during the course of our audit.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

RECOMMENDATIONS

It is recommended that:

Purchasing and Accounts Payable

1. A review be made of all time and material contracts to ensure vendor invoices provided for payment are sufficiently detailed in accordance with approved contract terms.
2. Procedures be implemented to reconcile monthly vendor invoices for gasoline purchases to individual gas receipt tickets received by Authority personnel.

Billing and Collections

3. A review be made of all solid waste container service contracts to ensure updated contract addendum be prepared and filed to reflect current services being provided at the current approved rates and fees.

Accounting and Financial Reporting

- * 4. The Authority's Solid Waste Bond Trustee transfer the excess funds in the General Fund Account into the Revenue Bond Service Fund Account in accordance with the requirements of the bond resolution.
- * 5. The Authority review the requirements under its office space lease agreement to have a year end reconciliation prepared of the escalations and related costs for the year.
- 6. Greater care be taken in accounting for compensated absences on personnel records and calculations be reviewed to ensure they agree to approved employment contracts.

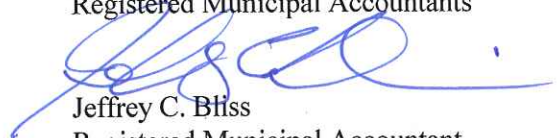
Administrative Policy

- * 7. Approved sewer rates and fees be formally memorialized in the sewer and solid waste rules and regulations.
- * 8. Continued efforts be made to ensure employee travel and business reimbursements be made in accordance with the business travel and reimbursement guidelines and policies approved by the Board.

A review was performed on all prior year recommendations. Corrective action was taken on all prior year recommendations except those denoted with an asterisk.

* * * * *

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

LERCH, VINCI & HIGGINS, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429