

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
REPORT OF AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Honorable Chairperson 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, 2006 and 2005, 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 above present fairly, in all material respects, the financial position of the Plainfield Municipal Utilities Authority as of December 31, 2006 and 2005, 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 May 7, 2007 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

May 7, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2006

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, 2006. 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 (2006) and the previous two years (2005 and 2004) 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 eleven 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, 2006 by \$2,390,950.
- The Authority's total net assets increased \$254,252 (12%).
- Cash and Cash Equivalents (ie Investments) decreased \$1,614,445 (13%).
- Long-term liabilities decreased by \$407,543 (2%) reflecting the payment of bonded debt.
- Operating Revenues increased by \$24,742 (less than 1%) mainly due to increases in interest on delinquent balances and miscellaneous revenues.
- Operating Expenses increased by \$767,450 (5%) due in large part to contractual salaries, employee benefits, sewer processing fees and solid waste disposal costs.
- Operating Income decreased by \$742,708 (46%).

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, 2006

(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.

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 fund balance; 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, 2006 (Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets – The following table summarizes the Net Assets of the Authority between December 31, 2006, 2005 and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
ASSETS:			
Current and Other Assets	\$ 15,389,567	\$ 16,782,276	\$ 17,095,088
Capital Assets	9,674,064	8,288,732	7,512,642
Total Assets	<u>25,063,631</u>	<u>25,071,008</u>	<u>24,607,730</u>
LIABILITIES:			
Long-Term Liabilities	20,459,713	20,867,256	21,354,056
Other Liabilities	2,212,968	2,067,054	1,717,731
Total Liabilities	<u>22,672,681</u>	<u>22,934,310</u>	<u>23,071,787</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(4,193,524)	(3,658,379)	(3,043,966)
Restricted	5,206,731	5,147,482	3,934,795
Unrestricted	1,377,743	647,595	645,114
Total Net Assets	<u>\$ 2,390,950</u>	<u>\$ 2,136,698</u>	<u>\$ 1,535,943</u>

The Authority's Net Assets increased \$254,252 and \$600,755 in 2006 and 2005, or 12% and 39%, respectively. Key elements of this change are as follows:

- Interest on delinquent balances increased \$65,780 or 22%. Miscellaneous revenue increased \$120,006 or 29% primarily due to revenues collected at the transfer station. Operating expenses increased \$767,450 or 5% primarily due to the increased cost of providing services. Sewer system operating expenses increased \$218,459 or 3% and solid waste system operating expenses increased \$548,991 or 7%.
- Unrestricted Net Assets increased \$730,148 and \$2,481 in 2006 and 2005 or 112% or less than 1%, respectively. The net assets component Invested in Capital Assets, Net of Related Debt decreased \$535,145 and \$614,413 in 2006 and 2005. This decrease is a result of the Authority funding its capital related debt over a longer period than the capital assets useful lives. These decreases were offset by an increase of \$59,249 and \$1,212,687 in Restricted Net Assets in 2006 and 2005, of which \$54,935 and \$1,212,567 related to renewal and replacement reserves and \$4,314 and \$120 related to debt service reserves which were required by the Authority's bond covenants in 2006 and 2005.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

(Continued)

OPERATING ACTIVITIES

The following table summarizes the changes in Net Assets between fiscal years 2006, 2005 and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
OPERATING REVENUES			
Sewer Fees	\$ 8,029,840	\$ 8,175,601	\$ 7,781,352
Solid Waste Fees	6,713,877	6,729,160	5,825,120
Municipal Solid Waste Contribution	1,200,000	1,200,000	1,200,000
Other	890,478	704,692	707,654
Total Operating Revenues	<u>16,834,195</u>	<u>16,809,453</u>	<u>15,514,126</u>
OPERATING EXPENSES			
Administration	3,456,070	3,045,403	2,903,609
Cost of Providing Services	11,819,315	11,342,059	10,439,483
Depreciation	697,793	818,266	898,678
Total Operating Expenses	<u>15,973,178</u>	<u>15,205,728</u>	<u>14,241,770</u>
OPERATING INCOME	<u>861,017</u>	<u>1,603,725</u>	<u>1,272,356</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	517,776	327,627	95,759
Interest Expense on Revenue Bonds	(1,047,100)	(1,067,869)	(1,005,296)
Other	(77,441)	(262,728)	(459,808)
Total Non-Operating Income (Expenses)	<u>(606,765)</u>	<u>(1,002,970)</u>	<u>(1,369,345)</u>
CHANGE IN NET ASSETS	<u>\$ 254,252</u>	<u>\$ 600,755</u>	<u>\$ (96,989)</u>

Operating revenue increased \$24,742 and \$331,369 or less than 1% and 26% for the years 2006 and 2005. As previously discussed in 2006, interest on delinquent balances increased \$65,780 and miscellaneous revenue increased \$120,006 due to revenues collected at the transfer station. In 2005, service fee revenue increased \$1,298,289 due to rate increases while miscellaneous operating revenue increased slightly by \$18,623 which is entirely due to increased services provided at the solid waste transfer station during 2005. Total operating expenses increased \$767,450 and \$963,958 or 5% and 7% in 2006 and 2005, respectively. The majority of these increases are attributable to increased contractual salaries and fringe benefit costs, increased sewerage processing fees, increased solid waste disposal fees as well as increased fuel costs. In addition, the Authority experienced significant increases in other insurance costs during both years.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006
(Continued)

OPERATING ACTIVITIES (Continued)

The collection rate of accounts billed to customers continues at almost 95% through the use of consistent billing and delinquency processes and the State authorized Municipal tax sale.

Total non-operating net expenses decreased \$206,056 and \$366,375 or 15% and 27% in 2006 and 2005. This decrease is primarily the result of decreases in bad debt expenses of \$185,496 and \$207,843.

Interest income increased \$190,149 and \$231,868 or 58% and 242% due to an increase in interest rates during 2006 and 2005.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2006, 2005 and 2004.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$ 1,185,195	\$ 1,066,076	\$ 723,639
Land Improvements	691	998	1,305
Buildings and Building Improvements	570,153	580,586	601,924
Leasehold Improvements	2,580,673	2,702,138	2,756,974
Property and Equipment	1,602,578	1,882,712	2,333,723
Construction in Progress	<u>3,734,774</u>	<u>2,056,222</u>	<u>1,095,077</u>
Total	<u>\$ 9,674,064</u>	<u>\$ 8,288,732</u>	<u>\$ 7,512,642</u>

Major capital asset events during the year included the following:

- Continuation of Transfer Station improvements.
- Acquisition of land at Cottage Place for planned construction of a new sewer maintenance facility.
- Continuation of sewer line improvements.
- Acquisition of solid waste system equipment and vehicles for transfer station.

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

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2006

(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Debt

The following table summarizes the changes in capital debt between fiscal 2006, 2005 and 2004.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Sewer Revenue Bonds	\$ 9,575,000	\$ 10,005,000	\$ 10,420,000
Solid Waste Revenue Bonds	11,492,613	11,617,468	11,732,775
Solid Waste Capital Leases	467,855		
	<u>\$ 21,235,468</u>	<u>\$ 21,622,468</u>	<u>\$ 22,152,775</u>

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

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- Increases to 2007 service fee rates for both the sewer and solid waste system users.
- Increasing sewer processing fees and their effect on future rates.
- Increasing solid waste disposal fees and fuel costs and their effect on future rates.
- Building of renewal and replacement reserves essential to future capital programs to continue in 2007.
- Continued expansion of transfer station operations to provide new sources of revenue.
- Increased pressure to control rising costs in employee health benefits and other insurance expenses.

All of these factors were considered in preparing the PMUA's budget for the 2007 fiscal year.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006
(Continued)**

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.

BASIC FINANCIAL STATEMENTS

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Unrestricted Current Assets		
Cash	\$ 1,243,052	\$ 1,093,901
Accounts Receivable (net of allowance for uncollectibles)	3,780,714	3,529,082
Prepaid Items	29,771	5,557
Other Assets	<u>24,120</u>	<u>24,120</u>
Total Unrestricted Current Assets	<u>5,077,657</u>	<u>4,652,660</u>
Restricted Current Assets		
Revenue Account		
Cash Equivalents	27,158	194,124
General Fund Account		
Cash Equivalents	29,984	28,901
Developers Escrow Account		
Cash	6,297	5,465
Revenue Bond Service Account		
Cash Equivalents	919,612	935,015
Revenue Bond Reserve Account		
Cash Equivalents	2,377,841	2,378,846
Revenue Bond Construction Account		
Cash Equivalents	1,718,206	3,823,699
Revenue Bond Cost of Issuance Account		
Cash Equivalents	43,271	41,866
Renewal and Replacement Account		
Cash Equivalents	<u>4,597,085</u>	<u>4,075,134</u>
Total Restricted Current Assets	<u>9,719,454</u>	<u>11,483,050</u>
Total Current Assets	<u>14,797,111</u>	<u>16,135,710</u>
Noncurrent Assets		
Deferred Charges		
Debt Issuance Costs (net of amortization)	<u>592,456</u>	<u>646,566</u>
Capital Assets		
Land	1,185,195	1,066,076
Land Improvements	2,150	2,150
Buildings and Building Improvements	722,765	711,815
Leasehold Improvements	3,174,230	3,174,230
Property and Equipment	6,329,982	6,055,477
Construction in Progress	3,734,774	2,056,222
Accumulated Depreciation	<u>(5,475,032)</u>	<u>(4,777,238)</u>
Total Capital Assets (net of accumulated depreciation)	<u>9,674,064</u>	<u>8,288,732</u>
Total Noncurrent Assets	<u>10,266,520</u>	<u>8,935,298</u>
Total Assets	<u>25,063,631</u>	<u>25,071,008</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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 930,305	\$ 806,295
Capital Lease Payable	30,478	
Accrued Expenses	24,657	20,570
Accrued Salary and Related Benefits	42,722	
Accrued Interest Payable	7,425	36,888
Accrued Compensated Absences	25,057	21,795
Other Liabilities	213,708	53,502
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	1,274,352	939,050
Current Liabilities (Payable from Restricted Assets)		
Accounts Payable	147,796	375,930
Revenue Bonds Payable	705,000	665,000
Accrued Interest on Bonds	80,572	82,552
Escrow Deposits Payable	5,248	4,522
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	938,616	1,128,004
Total Current Liabilities	<hr/> 2,212,968	<hr/> 2,067,054
Non-Current Liabilities		
Revenue Bonds Payable (Net of Unamortized Discounts)	20,096,820	20,671,102
Capital Lease Payable	137,377	
Accrued Compensated Absences	225,516	196,154
	<hr/>	<hr/>
Total Non-Current Liabilities	20,459,713	20,867,256
Total Liabilities	<hr/> 22,672,681	<hr/> 22,934,310
NET ASSETS		
Invested in Capital Assets, net of related debt	(4,193,524)	(3,658,379)
Restricted For:		
Debt Service	709,731	705,417
Renewal and Replacement	4,497,000	4,442,065
Unrestricted	1,377,743	647,595
	<hr/>	<hr/>
Total Net Assets	\$ 2,390,950	\$ 2,136,698

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Sewer Fees	\$ 8,029,840	\$ 8,175,601
Solid Waste Fees	6,713,877	6,729,160
Municipal Solid Waste Contribution	1,200,000	1,200,000
Interest on Delinquent Balances	358,749	292,969
Miscellaneous	531,729	411,723
	<hr/>	<hr/>
Total Operating Revenues	16,834,195	16,809,453
OPERATING EXPENSES		
Administration		
Board of Commissioners	130,307	112,733
Administrative and Executive	947,516	847,724
Finance and Accounting	970,453	929,353
Customer Service	178,619	210,911
Public Information	246,432	277,922
Information Technology	656,093	424,067
Human Resources	326,650	242,693
Cost of Providing Services		
Central Services	1,701,160	1,370,402
Sewer Operations	4,518,009	4,645,740
Solid Waste Collection and Disposal	3,032,686	2,844,458
Bulky Waste Pick-Up	1,298,292	1,006,760
Transfer Station	1,106,723	1,347,082
Public Can and Street Maintenance	162,445	127,617
Depreciation	697,793	818,266
	<hr/>	<hr/>
Total Operating Expenses	15,973,178	15,205,728
OPERATING INCOME	<hr/>	<hr/>
	861,017	1,603,725
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	517,776	327,627
Interest Expenses	(1,047,100)	(1,067,869)
Amortization of Costs of Issuance	(54,109)	(54,109)
Intergovernmental Grants	33,246	33,455
Bad Debt Expense	(56,578)	(242,074)
	<hr/>	<hr/>
Total Non-Operating Income (Expenses)	(606,765)	(1,002,970)
CHANGE IN NET ASSETS	<hr/>	<hr/>
	254,252	600,755
Total Net Assets, January 1	<hr/>	<hr/>
	2,136,698	1,535,943
Total Net Assets, December 31	<hr/>	<hr/>
	\$ 2,390,950	\$ 2,136,698

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 15,486,191	\$ 15,164,230
Cash Received from Municipality	1,200,000	1,200,000
Cash Paid to Suppliers	(10,313,148)	(9,435,850)
Cash Paid to Employees	(4,819,896)	(4,461,878)
Net Cash Provided by Operating Activities	<u>1,553,147</u>	<u>2,466,502</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Intergovernmental Grants	33,246	33,455
Miscellaneous Income	726	
Net Cash Provided by Non-Capital Financing Activities	<u>33,972</u>	<u>33,455</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Bonds	(665,000)	(635,000)
Acquisition of Fixed Assets	(2,143,402)	(1,543,221)
Interest Paid on Bonds	(910,938)	(944,504)
Payment of Debt Issuance Costs		
Net Cash (Used for) Capital and Related Financing Activities	<u>(3,719,340)</u>	<u>(3,122,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>517,776</u>	<u>327,627</u>
Net Cash Provided by Investing Activities	<u>517,776</u>	<u>327,627</u>
Net (Decrease) in Cash and Cash Equivalents	(1,614,445)	(295,141)
Cash and Cash Equivalents, January 1,	<u>12,576,951</u>	<u>12,872,092</u>
Cash and Cash Equivalents, December 31,	<u>\$ 10,962,506</u>	<u>\$ 12,576,951</u>
ANALYSIS OF BALANCE AT DECEMBER 31,		
Unrestricted - Cash and Cash Equivalents	\$ 1,243,052	\$ 1,093,901
Restricted - Cash and Cash Equivalents	<u>9,719,454</u>	<u>11,483,050</u>
	<u>\$ 10,962,506</u>	<u>\$ 12,576,951</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities:		
Operating Income	\$ 861,017	\$ 1,603,725
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Provision for Uncollectible Accounts	(56,578)	(242,074)
Depreciation	697,793	818,266
(Increase)/Decrease in Accounts Receivable	(251,632)	(108,813)
(Increase)/Decrease in Prepaid Items	(24,214)	77,475
(Increase)/Decrease in Other Assets	-	(5,100)
Increase/(Decrease) in Accounts Payable	124,010	361,535
Increase/(Decrease) in Accrued Expenses	4,087	4,034
Increase/(Decrease) in Accrued Salary and Related Benefits	5,834	(7,023)
Increase/(Decrease) in Accrued Compensated Absences	32,624	58,813
Increase/(Decrease) in Other Liabilities	160,206	(96,136)
Increase/(Decrease) in Escrow Deposits Payable	-	1,800
Total Adjustments	692,130	862,777
Net Cash Provided by Operating Activities	\$ 1,553,147	\$ 2,466,502
Noncash Investing, Capital and Financing Activities:		
Purchase of Capital Assets on Account	\$ 147,796	\$ 375,930
Capital Assets Acquired Under Capital Lease	167,855	
Accretion of Capital Appreciation Bonds	110,145	104,693
Original Issue Discount	20,573	20,575

NOTES TO BASIC FINANCIAL STATEMENTS

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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, 2006 AND 2005

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 entity. 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 2).

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.

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, 2006 AND 2005

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 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 interest expense incurred by the Authority during 2006 and 2005 was \$1,047,100 and \$1,067,869, respectively of these amounts, none 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, 2006 AND 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net 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, compensating 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. Bonds payable are reported net of the applicable bond premium or discount. 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, 2005 balances to conform to the December 31, 2006 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, 2006 AND 2005**

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 reversed 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.

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.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 3 CREATION OF FUNDS (Continued)

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 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.

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. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$100,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2006 and 2005, the book value of the Authority's deposits were \$1,249,349 and \$1,099,366, respectively, and bank balances of the Authority's cash and deposits amounted to \$1,245,363 and \$1,465,212, respectively.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits (Continued)

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

<u>Depository Account</u>	<u>2006</u>	<u>Bank Balance</u> <u>2005</u>
Insured		
Restricted	\$ 6,297	\$ 5,465
Unrestricted	<u>1,239,066</u>	<u>1,459,747</u>
	<u>\$1,245,363</u>	<u>\$1,465,212</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, 2006 and 2005, 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 account, 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, 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).

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2006 and 2005, the Authority had the following investments:

<u>2006</u>	<u>Fair Value</u>
U.S. Government Security Funds:	
Restricted	\$ <u>9,713,157</u>
Cash Equivalents	\$ <u>9,713,157</u>
 <u>2005</u>	 <u>Fair Value</u>
U.S. Government Security Funds:	
Restricted	\$ <u>11,477,585</u>
Cash Equivalents	\$ <u>11,477,585</u>

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.

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, 2006 AND 2005

NOTE 6 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2006 and 2005 was as follows:

	Balance January 1, 2006	Increases	Decreases	Balance, December 31, 2006
<u>2006</u>				
Capital assets, not being depreciated:				
Land	\$ 1,066,076	\$ 119,119		\$ 1,185,195
Construction in Progress	2,056,222	1,678,552	\$ -	3,734,774
Total capital assets, not being depreciated	3,122,298	1,797,671	-	4,919,969
Capital assets, being depreciated:				
Land Improvements	2,150			2,150
Buildings and Building Improvements	711,815	10,950		722,765
Leasehold Improvements	3,174,230			3,174,230
Property and Equipment	6,055,477	274,505		6,329,982
Total capital assets being depreciated	9,943,672	285,455		10,229,127
Less accumulated depreciation for:				
Land Improvements	(1,152)	(307)		(1,459)
Buildings and Building Improvements	(131,229)	(21,383)		(152,612)
Leasehold Improvements	(472,092)	(121,465)		(593,557)
Property and Equipment	(4,172,765)	(554,639)		(4,727,404)
Total accumulated depreciation	(4,777,238)	(697,794)	-	(5,475,032)
Total capital assets, being depreciated, net	5,166,434	(412,339)		4,754,095
Total capital assets, net	\$ 8,288,732	\$ 1,385,332	\$ -	\$ 9,674,064

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 6 CAPITAL ASSETS (Continued)

	Balance January 1, 2005	Increases	Decreases	Balance, December 31, 2005
<u>2005</u>				
Capital assets, not being depreciated:				
Land	\$ 723,639	\$ 342,437		\$ 1,066,076
Construction in Progress	1,095,077	1,031,675	\$ 70,530	2,056,222
Total capital assets, not being depreciated	1,818,716	1,374,112	70,530	3,122,298
Capital assets, being depreciated:				
Land Improvements	2,150			2,150
Buildings and Building Improvements	711,815			711,815
Leasehold Improvements	3,103,700	70,530		3,174,230
Property and Equipment	5,835,233	220,244	-	6,055,477
Total capital assets being depreciated	9,652,898	290,774	-	9,943,672
Less accumulated depreciation for:				
Land Improvements	(845)	(307)		(1,152)
Buildings and Building Improvements	(109,891)	(21,338)		(131,229)
Leasehold Improvements	(346,726)	(125,366)		(472,092)
Property and Equipment	(3,501,510)	(671,255)		(4,172,765)
Total accumulated depreciation	(3,958,972)	(818,266)	-	(4,777,238)
Total capital assets, being depreciated, net	5,693,926	(527,492)	-	5,166,434
Total capital assets, net	\$ 7,512,642	\$ 846,620	\$ 70,530	\$ 8,288,732

NOTE 7 LONG-TERM DEBT

Revenue Bonds

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

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 7 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

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

Revenue Bonds outstanding at December 31, 2006 and 2005, consist of the following:

	<u>2006</u>	<u>2005</u>
Sewer Revenue Bonds, Series 1999A		
4.40% to 4.75% due December 15, 2011 to 2023	\$ 6,135,000	\$ 6,135,000
Sewer Revenue Bonds, Taxable Series 1999B		
5.65% to 6.00% due December 15, 2002 to 2010	1,655,000	2,010,000
Sewer Revenue Bonds, Series 2003		
2.00% to 4.60% due October 1, 2005 to 2023	1,785,000	1,860,000
Solid Waste Revenue Bonds, Series 1999A		
4.40% to 4.75% due December 15, 2011 to 2023	4,820,000	4,820,000
Solid Waste Revenue Bonds, Taxable Series 1999B		
5.65% to 6.00% due December 15, 2000 to 2010	970,000	1,180,000
Solid Waste Revenue Bonds, Series 2003		
2.00% to 4.10% due October 15, 2005 to 2023		
(Includes Accretion of \$338,609 and \$228,464 through December 31, 2006 and 2005, respectively)	<u>5,702,613</u>	<u>5,617,468</u>
Total	<u>\$ 21,067,613</u>	<u>\$ 21,622,468</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 7 LONG-TERM DEBT (Continued)

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of December 31, 2006 is as follows:

Period Ending December 31,	Revenue Bonds		Total
	Principal	Interest	
	(1)		
2007	\$ 705,000	\$ 875,603	\$ 1,580,603
2008	755,000	837,398	1,592,398
2009	820,000	796,418	1,616,418
2010	910,000	751,930	1,661,930
2011	875,000	702,985	1,577,985
2012-2016	5,895,000	2,874,813	8,769,813
2017-2021	9,270,000	1,404,975	10,674,975
2022-2023	4,315,000	173,443	4,488,443
	<u>23,545,000</u>	<u>\$ 8,417,565</u>	<u>\$ 31,962,565</u>
Less: Unaccrued Value of: Capital Appreciation Revenue Bonds at December 31, 2006	<u>(2,477,387)</u>		
	<u>\$ 21,067,613</u>		

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

Changes in Long-Term Liabilities

The Authority's long-term liability activity for the year ended December 31, 2006 and 2005 are as follows:

	Balance, January 1, 2006	Additions	Reductions	Balance, December 31, 2006	Due Within One Year
2006					
Revenue Bonds	\$ 21,622,468	\$ 110,145	\$ (665,000)	\$ 21,067,613	\$ 705,000
Less: Deferred Amounts for Issuance Discounts	<u>(286,366)</u>	<u>-</u>	<u>20,573</u>	<u>(265,793)</u>	<u>-</u>
Total Bonds Payable	21,336,102	110,145	(644,427)	20,801,820	705,000
Capital Lease Payable		167,855		167,855	30,478
Compensated Absences	<u>217,949</u>	<u>76,755</u>	<u>(44,131)</u>	<u>250,573</u>	<u>25,057</u>
Long-Term Liabilities	<u>\$ 21,554,051</u>	<u>\$ 354,755</u>	<u>\$ (688,558)</u>	<u>\$ 21,220,248</u>	<u>\$ 760,535</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 7 LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities (Continued)

<u>2005</u>	Balance, January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2005</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 22,152,775	\$ 104,693	\$ (635,000)	\$ 21,622,468	\$ 665,000
Less: Deferred Amounts for Issuance Discounts	<u>(306,941)</u>	<u>-</u>	<u>20,575</u>	<u>(286,366)</u>	<u>-</u>
Total Bonds Payable	21,845,834	104,693	(614,425)	21,336,102	665,000
Compensated Absences	<u>159,136</u>	<u>72,833</u>	<u>(14,020)</u>	<u>217,949</u>	<u>21,795</u>
Long-Term Liabilities	<u>\$ 22,004,970</u>	<u>\$ 177,526</u>	<u>\$ (628,445)</u>	<u>\$ 21,554,051</u>	<u>\$ 686,795</u>

NOTE 8 USER CHARGES RECEIVABLE

User charges receivable at December 31, 2006 and 2005, including the applicable Allowance for Doubtful Accounts, consisted of the following:

	December 31, <u>2006</u>	December 31, <u>2005</u>
Gross User Charges Receivable	\$ 4,229,899	\$ 4,257,572
Less: Allowance for Uncollectibles	<u>(449,185)</u>	<u>(728,490)</u>
Net User Charges Receivable	<u>\$ 3,780,714</u>	<u>\$ 3,529,082</u>

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 April 5, 2007, the City has not been required to pay an annual charge to the Authority under the Deficiency Agreement.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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 revenue sharing percentage for the years ended December 31, 2006 and 2005.

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.

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.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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 the years ended December 31, 2006 and 2005 was \$1,333,493 and \$1,257,064, respectively. Future minimum lease payments for the next three years are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2007	\$1,399,101
2008	1,399,101
2009	1,399,101

The lease payment amounts for the years 2008 and 2009 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, property for the sewer maintenance facility, vehicles and copiers. The lease terms are for 2 to 4 years. The lease payments for the years ended December 31, 2006 and 2005 were \$174,538 and \$177,115, respectively. The future minimum lease payments for these leases which do not include adjustments for taxes, sewer, insurance, or heat are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Office</u> <u>Space</u>	<u>Maintenance</u> <u>Facility</u> <u>Property</u>	<u>Vehicles</u>	<u>Copiers</u>	<u>Total</u>
2007	\$169,467	\$7,800	\$37,740	6,828	\$221,835
2008	74,969		37,740	6,828	119,537
2009			29,130	6,828	29,130

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>2006</u>	<u>2005</u>
Machinery and Equipment	\$167,855	
Less: Accumulated Depreciation	<u>(27,976)</u>	<u> </u>
Total	<u>\$139,879</u>	<u>\$ -</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 11 LEASES (Continued)

Capital Lease

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2007	\$ 38,593
2008	38,593
2009	38,593
2010	38,593
2011	<u>38,593</u>
Total	192,965
Less: Amounts representing Interest	<u>(25,110)</u>
Present value of Net Minimum Lease Payments	<u>\$ 167,855</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 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 \$250,573 and \$217,949 at December 31, 2006 and 2005, respectively. These amounts are accrued as a liability at December 31, 2006 and 2005.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 13 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>2006</u>		<u>2005</u>	
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Solid Waste</u>
Assets				
Unrestricted Current Assets	\$ 3,056,406	\$ 2,021,251	\$ 2,469,737	\$ 2,182,923
Restricted Current Assets	6,186,253	3,533,201	6,464,716	5,018,334
Other Assets	248,191	344,265	273,064	373,502
Capital Assets	<u>4,466,459</u>	<u>5,207,605</u>	<u>4,342,474</u>	<u>3,946,258</u>
Total Assets	<u>13,957,309</u>	<u>11,106,322</u>	<u>13,549,991</u>	<u>11,521,017</u>
Liabilities				
Current Liabilities	362,698	911,654	272,372	666,678
Current Liabilities Payable from Restricted Assets	522,073	416,543	532,550	595,454
Noncurrent Liabilities	<u>9,045,962</u>	<u>11,413,751</u>	<u>9,497,371</u>	<u>11,369,885</u>
Total Liabilities	<u>9,930,733</u>	<u>12,741,948</u>	<u>10,302,293</u>	<u>12,632,017</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	(1,247,958)	(2,945,566)	(1,197,646)	(2,460,733)
Restricted	3,786,043	1,420,688	3,780,726	1,366,756
Unrestricted	<u>1,488,491</u>	<u>(110,748)</u>	<u>664,618</u>	<u>(17,023)</u>
Total Net Assets	<u>\$ 4,026,576</u>	<u>\$ (1,635,626)</u>	<u>\$ 3,247,698</u>	<u>\$ (1,111,000)</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 13 SEGMENT INFORMATION (Continued)

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

	<u>2006</u>		<u>2005</u>	
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Solid Waste</u>
Operating Revenues				
Sewer Fees	\$ 8,029,840		\$ 8,175,601	
Solid Waste Fees		\$ 6,713,877		\$ 6,729,160
Municipal Solid Waste Contribution		1,200,000		1,200,000
Other	259,580	630,898	227,680	477,012
Depreciation Expense	(203,616)	(494,177)	(232,637)	(585,629)
Other Operating Expenses	<u>(7,067,551)</u>	<u>(8,207,834)</u>	<u>(6,820,071)</u>	<u>(7,567,391)</u>
Operating Income (Loss)	1,018,253	(157,236)	1,350,573	253,152
Non-operating Revenues (Expenses)				
Interest Income	306,708	211,068	174,355	153,272
Interest Expense	(489,642)	(557,458)	(511,241)	(556,628)
Amortization Expense	(24,872)	(29,237)	(24,871)	(29,238)
Intergovernmental Grants		33,246		33,455
Bad Debt Expense	<u>(31,569)</u>	<u>(25,009)</u>	<u>(107,453)</u>	<u>(134,621)</u>
Total Non-Operating Income (Loss)	<u>(239,375)</u>	<u>(367,390)</u>	<u>(469,210)</u>	<u>(533,760)</u>
Change in Net Assets	778,878	(524,626)	881,363	(280,608)
Beginning Net Assets	<u>3,247,698</u>	<u>(1,111,000)</u>	<u>2,366,335</u>	<u>(830,392)</u>
Ending Net Assets	<u>\$ 4,026,576</u>	<u>\$ (1,635,626)</u>	<u>\$ 3,247,698</u>	<u>\$ (1,111,000)</u>

Condensed Statement of Cash Flows

	<u>2006</u>		<u>2005</u>	
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Solid Waste</u>
Net cash provided by (used for) by:				
Operating activities	\$ 1,226,069	\$ 327,078	\$ 1,552,513	\$ 913,989
Noncapital financing activities	726	33,246		33,455
Capital and related financing activities	(1,277,115)	(2,442,225)	(1,601,601)	(1,521,124)
Investing activities	<u>306,708</u>	<u>211,068</u>	<u>174,355</u>	<u>153,272</u>
Net increase/(decrease)	256,388	(1,870,833)	125,267	(420,408)
Beginning cash and cash equivalents	<u>6,917,407</u>	<u>5,659,544</u>	<u>6,792,140</u>	<u>6,079,952</u>
Ending cash and cash equivalents	<u>\$ 7,173,795</u>	<u>\$ 3,788,711</u>	<u>\$ 6,917,407</u>	<u>\$ 5,659,544</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 14 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, 2006 and 2005 are as follows:

	<u>December 31, 2006</u>			<u>December 31, 2005</u>		
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Bond Service Fund</u>						
Required Balances	\$ 458,587	\$ 331,715	\$ 790,302	\$ 454,809	\$ 333,160	\$ 787,969
Cash and Investments	<u>493,189</u>	<u>426,423</u>	<u>919,612</u>	<u>490,161</u>	<u>444,854</u>	<u>935,015</u>
Excess or (Deficit)	<u>\$ 34,602</u>	<u>\$ 94,708</u>	<u>\$ 129,310</u>	<u>\$ 35,352</u>	<u>\$ 111,694</u>	<u>\$ 147,046</u>
<u>Bond Reserve Fund</u>						
Required Balances	\$ 917,173	\$ 1,449,650	\$ 2,366,823	\$ 917,173	\$ 1,449,650	\$ 2,366,823
Cash and Investments	<u>921,078</u>	<u>1,456,763</u>	<u>2,377,841</u>	<u>922,083</u>	<u>1,456,763</u>	<u>2,378,846</u>
Excess or (Deficit)	<u>\$ 3,905</u>	<u>\$ 7,113</u>	<u>\$ 11,018</u>	<u>\$ 4,910</u>	<u>\$ 7,113</u>	<u>\$ 12,023</u>
<u>Renewal and Replacement Fund</u>						
Required Balances	\$ 3,362,000	\$ 1,135,000	\$ 4,497,000	\$ 3,361,767	\$ 1,080,298	\$ 4,442,065
Cash and Investments	<u>3,447,613</u>	<u>1,149,472</u>	<u>4,597,085</u>	<u>3,222,613</u>	<u>852,521</u>	<u>4,075,134</u>
Excess or (Deficit)	<u>\$ 85,613</u>	<u>\$ 14,472</u>	<u>\$ 100,085</u>	<u>\$ (139,154)</u>	<u>\$ (227,777)</u>	<u>\$ (366,931)</u>

NOTE 15 OTHER INFORMATION

A. Employee Retirement System and Pension Plan

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems covering substantially all state and local government employees which include 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 health care, 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 health care coverage.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 15 OTHER INFORMATION (Continued)

A. Employee Retirement System and Pension Plan (Continued)

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 do not appropriate funds to SACT.

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

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should the 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 the above system. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Basis of Accounting

The financial statements of the pension system are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the Funds. Benefits or refunds are recognized when due and payable in accordance with the applicable eligibility terms of the funds.

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.

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, and Common Pension Fund D. 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

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS, effective July 12, 2002.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 15 OTHER INFORMATION (Continued)

A. Employee Retirement System and Pension Plan (Continued)

Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension fund provides for employee contributions based on 5.0% of the employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

During the years ended December 31, 2006, 2005 and 2004, the Authority was required to contribute for normal cost pension contributions or post-retirement medical benefits the following amounts:

<u>Year Ending December 31</u>	<u>PERS</u>
2006	\$72,982
2005	24,645
2004	None

B. 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 Attorney the potential claims against the Authority not covered by insurance policies would not materially affect the financial condition of the Authority.

C. 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.

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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 15 OTHER INFORMATION (Continued)

C. Risk Management (Continued)

The fund provide 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.

NOTE 16 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, 2006 and 2005, the Authority had no estimated arbitrage earnings due to the IRS.

NOTE 17 SUBSEQUENT EVENTS

On April 5, 2007 the Authority issued Subordinate Solid Waste System Revenue Bonds, Series 2007, in the amount of \$2,100,000 to provide additional funds for the construction of improvements for a transfer station facility. The Authority awarded the sale of said bonds to All Points Public Funding, LLC at an interest rate of 4.940%. These bonds dated April 5, 2007 will mature over 16 years with the first maturity due January 1, 2008.

NOTE 18 RECENT ACCOUNTING PRONOUNCEMENTS

In July 2004, the Governmental Accounting Standards Board (GASB) adopted statement number 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions". This statement will become effective for governmental entities on a phased in basis beginning with fiscal years beginning after December 15, 2006. The effective date of this statement for the Authority is the year beginning January 1, 2007. This statement will require Governmental entities to report the future cost of other post employment benefits (OPEB) on a present value basis instead of the present "pay as you go" method. The impact on the Authority's financial position or results of operations, if any, of this GASB Statement can not be readily determined at this time.

SUPPLEMENTARY SCHEDULES

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2006

	Sewer	Solid Waste	Total
ASSETS			
Unrestricted Current Assets			
Cash	\$ 987,542	\$ 255,510	\$ 1,243,052
Accounts Receivable - (net of allowance for uncollectibles)	2,053,307	1,727,407	3,780,714
Prepaid Items	3,497	26,274	29,771
Other Assets	12,060	12,060	24,120
Total Unrestricted Current Assets	<u>3,056,406</u>	<u>2,021,251</u>	<u>5,077,657</u>
Restricted Current Assets			
Revenue Account			
Cash Equivalents	25,897	1,261	27,158
General Fund Account			
Cash Equivalents	21,705	8,279	29,984
Developers Escrow Account			
Cash	6,297	-	6,297
Bond Service Account			
Cash Equivalents	493,189	426,423	919,612
Bond Reserve Account			
Cash Equivalents	921,078	1,456,763	2,377,841
Bond Construction Account			
Cash Equivalents	1,260,272	457,934	1,718,206
Revenue Bond Cost of Issuance Account			
Cash Equivalents	10,202	33,069	43,271
Renewal and Replacement Account			
Cash Equivalents	<u>3,447,613</u>	<u>1,149,472</u>	<u>4,597,085</u>
Total Restricted Current Assets	<u>6,186,253</u>	<u>3,533,201</u>	<u>9,719,454</u>
Total Current Assets	<u>9,242,659</u>	<u>5,554,452</u>	<u>14,797,111</u>
Noncurrent Assets			
Deferred Charges			
Debt Issuance Costs (net of amortization)	<u>248,191</u>	<u>344,265</u>	<u>592,456</u>
Capital Assets			
Land	1,161,085	24,110	1,185,195
Land Improvements	2,150	-	2,150
Buildings and Building Improvements	476,316	246,449	722,765
Leasehold Improvements	2,248,808	925,422	3,174,230
Property and Equipment	1,718,940	4,611,042	6,329,982
Construction in Progress	783,758	2,951,016	3,734,774
Accumulated Depreciation	<u>(1,924,598)</u>	<u>(3,550,434)</u>	<u>(5,475,032)</u>
Total Capital Assets (Net of accumulated depreciation)	<u>4,466,459</u>	<u>5,207,605</u>	<u>9,674,064</u>
Total Noncurrent Assets	<u>4,714,650</u>	<u>5,551,870</u>	<u>10,266,520</u>
Total Assets	<u>13,957,309</u>	<u>11,106,322</u>	<u>25,063,631</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
AS OF DECEMBER 31, 2006

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
LIABILITIES			
Current Liabilities (Payable from Unrestricted Assets)			
Accounts Payable	\$ 123,873	\$ 806,432	\$ 930,305
Capital Lease Payable		30,478	30,478
Accrued Expenses	12,467	12,190	24,657
Accrued Salary and Related Benefits	15,960	26,762	42,722
Accrued Interest Payable		7,425	7,425
Accrued Compensated Absences	8,029	17,028	25,057
Other Liabilities - Overpayments	202,369	11,339	213,708
Total Current Liabilities Payable from Unrestricted Assets	<u>362,698</u>	<u>911,654</u>	<u>1,274,352</u>
Current Liabilities (Payable from Restricted Assets)			
Accounts Payable	22,281	125,515	147,796
Revenue Bonds Payable	460,000	245,000	705,000
Accrued Interest on Bonds	34,544	46,028	80,572
Escrow Deposits Payable	5,248		5,248
Total Current Liabilities Payable from Restricted Assets	<u>522,073</u>	<u>416,543</u>	<u>938,616</u>
Total Current Liabilities	<u>884,771</u>	<u>1,328,197</u>	<u>2,212,968</u>
Non-Current Liabilities			
Revenue Bonds Payable (net of unamortized discounts)	8,973,702	11,123,118	20,096,820
Capital Lease Payable		137,377	137,377
Accrued Compensated Absences	72,260	153,256	225,516
Total Non-Current Liabilities	<u>9,045,962</u>	<u>11,413,751</u>	<u>20,459,713</u>
Total Liabilities	<u>9,930,733</u>	<u>12,741,948</u>	<u>22,672,681</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	(1,247,958)	(2,945,566)	(4,193,524)
Restricted For:			
Debt Service	424,043	285,688	709,731
Renewal and Replacement	3,362,000	1,135,000	4,497,000
Unrestricted	1,488,491	(110,748)	1,377,743
Total Net Assets	<u>\$ 4,026,576</u>	<u>\$ (1,635,626)</u>	<u>\$ 2,390,950</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Sewer	Solid Waste	Total
OPERATING REVENUES			
Sewer Fees	\$ 8,029,840		\$ 8,029,840
Solid Waste Fees		\$ 6,713,877	6,713,877
Municipal Solid Waste Contribution		1,200,000	1,200,000
Interest on Delinquent Balances	230,886	127,863	358,749
Miscellaneous	28,694	503,035	531,729
Total Operating Revenues	8,289,420	8,544,775	16,834,195
OPERATING EXPENSES			
Administration			
Board of Commissioners	58,603	71,704	130,307
Administrative and Executive	473,392	474,124	947,516
Finance and Accounting	481,787	488,666	970,453
Customer Service	88,989	89,630	178,619
Public Information	118,860	127,572	246,432
Information Technology	323,627	332,466	656,093
Human Resources	160,411	166,239	326,650
Cost of Providing Services			
Central Services	843,873	857,287	1,701,160
Sewer Operations	4,518,009		4,518,009
Solid Waste Collection and Disposal		3,032,686	3,032,686
Bulky Waste Pick-Up		1,298,292	1,298,292
Transfer Station		1,106,723	1,106,723
Public Can and Street Maintenance		162,445	162,445
Depreciation	203,616	494,177	697,793
Total Operating Expenses	7,271,167	8,702,011	15,973,178
OPERATING INCOME (LOSS)	1,018,253	(157,236)	861,017
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	306,708	211,068	517,776
Interest Expenses	(489,642)	(557,458)	(1,047,100)
Amortization of Costs of Issuance	(24,872)	(29,237)	(54,109)
Intergovernmental Grants		33,246	33,246
Bad Debt Expense	(31,569)	(25,069)	(56,578)
Total Non-Operating Income (Expenses)	(239,375)	(367,390)	(606,765)
CHANGE IN NET ASSETS	778,878	(524,626)	254,252
Total Net Assets, Beginning of Year	3,247,698	(1,111,000)	2,136,698
Total Net Assets, End of Year	\$ 4,026,576	\$ (1,635,626)	\$ 2,390,950

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Sewer	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 8,363,114	\$ 7,123,077	\$ 15,486,191
Cash Received from Municipality		1,200,000	1,200,000
Cash Paid to Suppliers	(5,289,781)	(5,023,367)	(10,313,148)
Cash Paid to Employees	(1,847,264)	(2,972,632)	(4,819,896)
Net Cash Provided by Operating Activities	<u>1,226,069</u>	<u>327,078</u>	<u>1,553,147</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Intergovernmental Grants		33,246	33,246
Proceeds from Escrow Deposits	<u>726</u>	<u>-</u>	<u>726</u>
Net Cash Provided by Non-Capital Financing Activities	<u>726</u>	<u>33,246</u>	<u>33,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payment on Bonds	(430,000)	(235,000)	(665,000)
Acquisition of Fixed Assets	(367,497)	(1,775,905)	(2,143,402)
Interest Paid on Bonds	<u>(479,618)</u>	<u>(431,320)</u>	<u>(910,938)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,277,115)</u>	<u>(2,442,225)</u>	<u>(3,719,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>306,708</u>	<u>211,068</u>	<u>517,776</u>
Net Cash Provided by Investing Activities	<u>306,708</u>	<u>211,068</u>	<u>517,776</u>
Net Increase (Decrease) in Cash and Cash Equivalents	256,388	(1,870,833)	(1,614,445)
Cash and Cash Equivalents, January 1, 2006	<u>6,917,407</u>	<u>5,659,544</u>	<u>12,576,951</u>
Cash and Cash Equivalents, December 31, 2006	<u>\$ 7,173,795</u>	<u>\$ 3,788,711</u>	<u>\$ 10,962,506</u>
ANALYSIS OF BALANCE AT DECEMBER 31, 2006			
Unrestricted - Cash and Cash Equivalents	\$ 987,542	\$ 255,510	\$ 1,243,052
Restricted - Cash and Cash Equivalents	<u>6,186,253</u>	<u>3,533,201</u>	<u>9,719,454</u>
	<u>\$ 7,173,795</u>	<u>\$ 3,788,711</u>	<u>\$ 10,962,506</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,018,253	\$ (157,236)	\$ 861,017
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by Operating Activities:			
Provision for Uncollectible Accounts	(31,569)	(25,009)	(56,578)
Depreciation	203,616	494,177	697,793
(Increase)/Decrease in Accounts Receivable	(51,182)	(200,450)	(251,632)
(Increase)/Decrease in Prepaid Items	(636)	(23,578)	(24,214)
(Increase)/Decrease in Other Assets			
Increase/(Decrease) in Accounts Payable	(69,262)	193,272	124,010
Increase/(Decrease) in Accrued Expenses	2,182	1,905	4,087
Increase/(Decrease) in Accrued Salary and Related Benefits	1,265	4,569	5,834
Increase/(Decrease) in Accrued Compensated Absences	(3,043)	35,667	32,624
Increase/(Decrease) in Other Liabilities	156,445	3,761	160,206
Total Adjustments	<u>207,816</u>	<u>484,314</u>	<u>692,130</u>
Net Cash Provided by Operating Activities	<u>\$ 1,226,069</u>	<u>\$ 327,078</u>	<u>\$ 1,553,147</u>
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	\$ 22,281	\$ 125,515	\$ 147,796
Capital Assets Acquired Under Capital Lease		167,855	167,855
Accretion of Capital Appreciation Bonds		110,145	110,145
Original Issue Discount	11,330	9,243	20,573

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SEWER
FOR THE YEAR ENDED DECEMBER 31, 2006
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2005)

	2006 Modified <u>Budget</u>	2006 <u>Actual</u>	Variance Excess (Deficit)	2005 <u>Actual</u>
OPERATING REVENUES				
Service Charges	\$ 8,100,204	\$ 8,029,840	\$ (70,364)	\$ 8,175,601
Interest on Delinquent Accounts	231,000	230,886	(114)	184,092
Miscellaneous Fees	29,000	28,694	(306)	43,588
Total Operating Revenues	<u>8,360,204</u>	<u>8,289,420</u>	<u>(70,784)</u>	<u>8,403,281</u>
NON-OPERATING REVENUES				
Interest on Investments	282,000	306,708	24,708	174,355
Miscellaneous	-	-	-	-
Total Non-Operating Revenues	<u>282,000</u>	<u>306,708</u>	<u>24,708</u>	<u>174,355</u>
UNRESTRICTED NET ASSETS UTILIZED	<u>51,444</u>	<u>51,444</u>	-	<u>54,060</u>
Total Sewer Revenues	<u>\$ 8,693,648</u>	<u>\$ 8,647,572</u>	<u>\$ (46,076)</u>	<u>\$ 8,631,696</u>
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	\$ 945,358	\$ 932,701	\$ 12,657	\$ 802,357
Fringe Benefits	381,717	332,206	49,511	282,530
Other Expenses	452,770	440,762	12,008	411,396
Total Administration	<u>1,779,845</u>	<u>1,705,669</u>	<u>74,176</u>	<u>1,496,283</u>
COST OF PROVIDING SERVICES				
Salaries and Wages	1,072,974	912,785	160,189	990,123
Fringe Benefits	452,046	375,292	76,754	362,920
Other Expenses	4,074,165	4,073,805	360	3,970,745
Total Cost of Providing Services	<u>5,599,185</u>	<u>5,361,882</u>	<u>237,303</u>	<u>5,323,788</u>
NON-OPERATING APPROPRIATIONS				
Interest Payments on Debt	479,618	479,618		501,178
Principal Payments on Debt	430,000	430,000		415,000
Renewal and Replacement Reserves	340,000	233	339,767	710,547
Other Reserves	35,000	31,569	3,431	107,453
Total Non-Operating Appropriations	<u>1,284,618</u>	<u>941,420</u>	<u>343,198</u>	<u>1,734,178</u>
CAPITAL OUTLAY	<u>30,000</u>	<u>29,861</u>	<u>139</u>	<u>50,569</u>
Total Appropriations	<u>\$ 8,693,648</u>	<u>\$ 8,038,832</u>	<u>\$ 654,816</u>	<u>\$ 8,604,818</u>

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
SOLID WASTE
FOR THE YEAR ENDED DECEMBER 31, 2006
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2005)

	2006 Modified Budget	2006 Actual	Variance Excess (Deficit)	2005 Actual
OPERATING REVENUES				
Service Charges	\$ 6,713,224	\$ 6,713,877	\$ 653	\$ 6,729,160
Municipal Solid Waste Contribution	1,200,000	1,200,000		1,200,000
Interest on Delinquent Accounts	128,000	127,863	(137)	108,877
Miscellaneous Fees	502,767	503,035	268	368,135
Total Operating Revenues	8,543,991	8,544,775	784	8,406,172
NON-OPERATING REVENUES				
Interest on Investments	212,000	211,068	(932)	153,272
Intergovernmental Grant	33,000	33,246	246	33,455
Miscellaneous				
Reserve for Renewal and Replacement	32,915	-	(32,915)	-
Total Non-Operating Revenues	277,915	244,314	(33,601)	186,727
UNRESTRICTED NET ASSETS UTILIZED	83,019	83,019	-	177,234
Total Solid Waste Revenues	\$ 8,904,925	\$ 8,872,108	\$ (32,817)	\$ 8,770,133
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	\$ 925,000	\$ 925,000		\$ 799,881
Fringe Benefits	333,216	332,206	\$ 1,010	282,536
Other Expenses	502,311	493,195	9,116	466,703
Total Administration	1,760,527	1,750,401	10,126	1,549,120
COST OF PROVIDING SERVICES				
Salaries and Wages	2,128,419	2,087,868	40,551	1,942,226
Fringe Benefits	796,094	798,667	(2,573)	752,223
Other Expenses	3,512,564	3,570,898	(58,334)	3,323,822
Total Cost of Providing Services	6,437,077	6,457,433	(20,356)	6,018,271
NON-OPERATING APPROPRIATIONS				
Principal Payment on Debt	235,000	235,000		220,000
Interest Payment on Debt	431,321	431,320	1	443,325
Renewal and Replacement Reserves		54,702	(54,702)	502,020
Other Reserves	26,000	25,009	991	134,621
Total Non-Operating Appropriations	692,321	746,031	(53,710)	1,299,966
CAPITAL OUTLAY	15,000	12,948	2,052	55,323
Total Appropriations	\$ 8,904,925	\$ 8,966,813	\$ (61,888)	\$ 8,922,680

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2006

Authority Board Members

Position

Carol Ann Brokaw, Esq.	Chairperson
David M. Beck	Vice Chairperson
William Reid	Treasurer
Nathaniel E. Singleton, Jr.	Secretary
James C. Green	Commissioner
Alex Toliver (Alternate)	Commissioner
Jo-Ann Sloane (Alternate)	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
Louis E. Jones	Director of Central Services
Duane D. Young	Comptroller

Consultants and Advisors

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

GOVERNMENT AUDITING STANDARDS REPORT

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JOSEPH F. KELLY, CPA, RMA, PSA
DONNA L. LAPHET, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ROBERT W. HAAQ, CPA, PSA
DEBORAH KOZAK, CPA, 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, 2006, and have issued our report thereon dated May 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2006-1 and 2006-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we considered items 2006-1 and 2006-2 to be material weaknesses.

Compliance and Other Matters

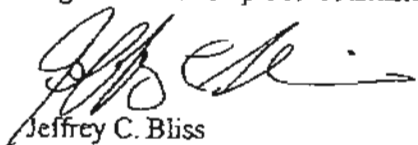
As part of obtaining reasonable assurance about whether the Plainfield Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and responses as item 2006-2.

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

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

This report is intended solely for the information and use of the Plainfield Municipal Utilities Authority board members, management and the New Jersey State 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
May 7, 2007

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Finding 06-1:

Our audit revealed that solid waste transportation services were in excess of the bid threshold for which no public advertising for bids was sought.

Criteria:

Local Public Contracts Law.

Condition:

The Authority contracted for solid waste transportation services with Medco Waste Systems which exceeded the bid threshold where no evidence of public bidding existed.

Cause:

Payments for solid waste transportation services totaling approximately \$139,120 exceeded the bid threshold.

Effect:

The Authority is not in compliance with the Local Public Contracts Law.

Recommendation:

Bids be publicly advertised for solid waste transportation services which exceed the bid threshold.

Response:

Management has accepted the finding and correction processes will be put in place.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006**

Finding 06-2:

Our audit revealed that a certain contract extension for professional services was not awarded or approved by the Board of Commissioners.

Criteria or Specific Requirement:

Local Public Contracts Law.

Condition:

The Authority extended the contract with Kupper Associates for construction management services which was not awarded or approved by resolution of the Board of Commissioners.

Cause:

Payments for construction management services totaling \$90,380 were paid for additional phases of the transfer station improvement project which were not awarded and approved by resolution.

Effect:

The Authority is not in compliance with the Local Public Contracts Law.

Recommendation:

Contract extensions for professional services be awarded and approved by formal resolution of the Board of Commissioners.

Responses:

Management has accepted the finding and correction processes will be put in place.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
OF NON-COMPLIANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

STATUS OF PRIOR YEAR FINDINGS

Finding 05-1:

Condition:

The Authority incurred certain expenses for vehicle repairs and vegetative disposal services which were properly bid and 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 has been taken.

Finding 05-2:

Condition:

The Authority contracted for solid waste transportation services which exceeded the bid threshold where no evidence of public bidding existed.

Current Status

See Finding 2006-1.

Finding 05-3:

Condition:

Certain vendor invoices were held for review and not submitted directly to accounts payable for processing in a reasonable period of time.

Current Status:

Corrective action has been taken.

Finding 05-4:

Condition:

Certain goods or services were ordered or incurred prior to obtaining an approved purchase order.

Current Status

Corrective action has been taken.

GENERAL COMMENTS AND RECOMMENDATIONS

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Current Year Findings:

Our audit of certain solid waste disposal contracts revealed contract fees were not updated on renewal to reflect the approved rates per the fee ordinance in effect for the 2006 year. It is recommended that solid waste disposal contract renewals be reviewed to ensure contract amounts are based on rates approved in the adopted rate ordinance in effect at the time of contract renewal.

Our audit revealed that certain contract modifications (i.e., change orders) for the Transfer Station scalehouse and Cottage Place parking lot improvements totalling \$28,357 were not approved by resolution of the Board of Commissioners. It is recommended that all contract modifications (i.e., change orders) be approved by formal resolution of the Board of Commissioners.

Our audit of paid vendor claims revealed numerous exceptions for no receipt of goods signatures. It is recommended that receipt of goods signatures be obtained prior to the payment of a vendor claim.

During our audit we were made aware that certain employees pension enrollment dates were not consistent with their date of pension eligibility. It is recommended that the Authority review and revise its employee pension enrollment procedures to ensure enrollment dates are consistent with pension eligibility dates.

Suggestions to Management

- The Authority review with the scalehouse software vendor the ability of the system to restrict the back dating of weight tickets at the Transfer Station.

Appreciation

We desire to express our appreciation to the 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:

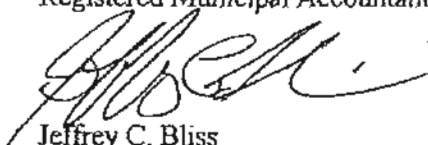
- * 1. Bids be publicly advertised for solid waste transportation services which exceed the bid threshold.
- 2. Contract extensions for professional services be awarded and approved by formal resolution of the Board of Commissioners.
- 3. Solid waste disposal contract renewals be reviewed to ensure contract amounts are based on rates approved in the adopted rate ordinance in effect at the time of contract renewal.
- 4. All contract modifications (ie, change orders) be approved by formal resolution of the Board of Commissioners.
- 5. Receipt of goods signature be obtained prior to the payment of a vendor claim.
- 6. The Authority review and revise its employee pension enrollment procedures to ensure enrollment dates are consistent with pension eligibility dates.

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

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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.

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