

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**REPORT OF AUDIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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, 2008 and 2007, 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, 2008 and 2007, 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, 2009 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 read in conjunction with this report in considering 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.

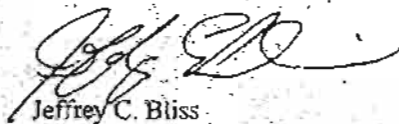
Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plainfield Municipal Utilities Authority. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial 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



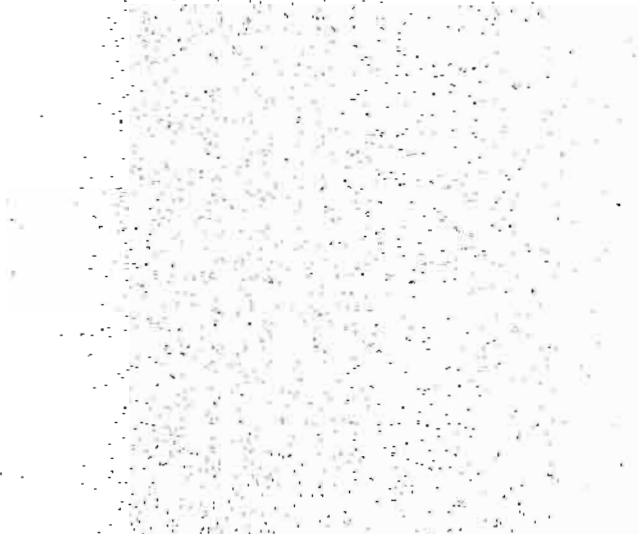
Jeffrey C. Bliss

Registered Municipal Accountant

RMA Number CR00429

Fair Lawn, New Jersey  
May 7, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)



# **PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2008**

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, 2008. 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 (2008) and the previous two years (2007 and 2006) 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 twelve 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, 2008 by \$3,107,677.
- The Authority's total net assets decreased \$457,037 (13%).
- Cash and Cash Equivalents (i.e. Investments) decreased \$1,390,556 (13%).
- Long-term liabilities decreased by \$750,739 (3%) reflecting the pay down of outstanding debt.
- Operating Revenues increased by \$1,152,612 (6%) mainly due to increases in sewer and solid waste user fee revenue.
- Operating Expenses increased by \$2,373,613 (14%) due in large part to contractual salaries, employee benefits, sewerage processing fees, solid waste disposal costs and vehicle costs.
- Operating Income decreased by \$1,221,001 (68%) when compared to the prior year.

### **OVERVIEW OF FINANCIAL STATEMENTS**

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

# PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008

(Continued)

### OVERVIEW OF FINANCIAL STATEMENTS (Continued)

#### Basic Financial Statements

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

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

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

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

#### Notes to the basic financial statements

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

#### Other Information

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



# PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008

(Continued)

### FINANCIAL ANALYSIS OF THE AUTHORITY

*Net Assets* – The following table summarizes the Net Assets of the Authority between December 31, 2008, 2007 and 2006:

|   | <u>2008</u>         | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|---------------------|
| <b>ASSETS:</b>                                  |                     |                     |                     |
| Current and Other Assets                        | \$ 14,687,611       | \$ 15,890,009       | \$ 15,389,567       |
| Capital Assets                                  | 12,063,204          | 11,990,989          | 9,674,064           |
| Total Assets                                    | <u>26,750,815</u>   | <u>27,880,998</u>   | <u>25,063,631</u>   |
| <b>LIABILITIES:</b>                             |                     |                     |                     |
| Long-Term Liabilities                           | 21,142,207          | 21,892,946          | 20,459,713          |
| Other Liabilities                               | 2,500,931           | 2,423,338           | 2,212,968           |
| Total Liabilities                               | <u>23,643,138</u>   | <u>24,316,284</u>   | <u>22,672,681</u>   |
| <b>NET ASSETS:</b>                              |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt | (4,237,304)         | (4,163,640)         | (4,193,524)         |
| Restricted                                      | 4,868,914           | 4,847,074           | 5,206,731           |
| Unrestricted                                    | 2,476,067           | 2,881,280           | 1,377,743           |
| Total Net Assets                                | <u>\$ 3,107,677</u> | <u>\$ 3,564,714</u> | <u>\$ 2,390,950</u> |

The Authority's Net Assets decreased \$457,037 in 2008, or 13% and increased \$1,173,764 or 49% in 2007. Key elements of this change are as follows:

- Sewer fees increased \$298,896 or 3% due to an annualized mid year rate increase from the prior year and revenues earned from the settlement with a neighboring municipality. Solid waste fees increased \$698,341 or 9% also due to an annualized rate increase from the prior year. Other operating revenues (exclusive of municipal solid waste contribution) increased \$155,375 or 16% primarily due to revenues collected at the transfer station and interest on delinquent accounts. The municipal solid waste contribution remained the same in 2008 as in 2007. Operating expenses increased \$2,373,613 or 14% primarily due to increased costs of providing direct sewer and solid waste services. Sewer system operating expenses increased \$753,355 or 10% and solid waste system operating expenses increased \$1,620,258 or 18%.
- Unrestricted Net Assets decreased \$405,213 and increased \$1,503,537 in 2008 and 2007 or 14% and 109%, respectively. The net assets component of Invested in Capital Assets, Net of Related Debt decreased \$73,664 in 2008 and increased \$29,884 in 2007. The increase for 2007 is a result of the Authority funding certain capital purchases from the 2007 budget. The balances in the Investment in Capital Assets, Net of Related Debt are in a negative position at December 31, 2008, 2007 and 2006 as a result of the Authority repaying its capital related debt over a longer period than the capital assets useful lives. Restricted net assets increased \$21,840 in 2008 and decreased \$359,657 in 2007 mainly due to how the Authority utilized and financed the Renewal and Replacement Reserves to provide for current and future capital related improvements and acquisitions.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008**

*(Continued)*

**OPERATING ACTIVITIES**

The following table summarizes the changes in Net Assets between fiscal years 2008, 2007 and 2006:

|  | <u>2008</u>         | <u>2007</u>         | <u>2006</u>       |
|--|---------------------|---------------------|-------------------|
| <b>OPERATING REVENUES</b>                |                     |                     |                   |
| Sewer Fees                               | \$ 9,326,320        | \$ 9,027,424        | \$ 8,029,840      |
| Solid Waste Fees                         | 8,054,625           | 7,356,284           | 6,713,877         |
| Municipal Solid Waste Contribution       | 1,200,000           | 1,200,000           | 1,200,000         |
| Other                                    | <u>1,127,331</u>    | <u>971,956</u>      | <u>890,478</u>    |
| Total Operating Revenues                 | <u>19,708,276</u>   | <u>18,555,664</u>   | <u>16,834,195</u> |
| <b>OPERATING EXPENSES</b>                |                     |                     |                   |
| Administration                           | 4,449,507           | 3,861,705           | 3,456,070         |
| Cost of Providing Services               | 13,796,010          | 12,353,154          | 11,819,315        |
| Depreciation                             | <u>882,662</u>      | <u>539,707</u>      | <u>697,793</u>    |
| Total Operating Expenses                 | <u>19,128,179</u>   | <u>16,754,566</u>   | <u>15,973,178</u> |
| <b>OPERATING INCOME</b>                  | <u>580,097</u>      | <u>1,801,098</u>    | <u>861,017</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                     |                     |                   |
| Interest Income                          | 166,535             | 478,404             | 517,776           |
| Interest Expense                         | (1,079,683)         | (1,022,119)         | (1,047,100)       |
| Other - Net                              | <u>(123,986)</u>    | <u>(83,619)</u>     | <u>(77,441)</u>   |
| Total Non-Operating Income (Expenses)    | <u>(1,037,134)</u>  | <u>(627,334)</u>    | <u>(606,765)</u>  |
| <b>CHANGE IN NET ASSETS</b>              | <u>\$ (457,037)</u> | <u>\$ 1,173,764</u> | <u>\$ 254,252</u> |

Operating revenue increased \$1,152,612 and \$1,721,469 or 6% and 10% for the years 2008 and 2007, respectively. Mid year rate increases of approximately 20% went into effect in the third quarter of 2007 for both sewer and solid waste fees with an effective annualized increase of 10% for both 2008 and 2007. In addition a settlement over sewer user fees with a neighboring municipality was reached which provided additional sewer fees of approximately \$51,000 and \$296,000 for 2008 and 2007. Other operating revenue increased \$155,375 in 2008 mainly due to additional solid waste revenues of \$26,000, additional sewer connection fees of approximately \$77,000 and additional interest on delinquent accounts of approximately \$50,000. In 2007 other operating revenue increased \$81,478 mainly due to additional solid waste revenues collected at the transfer station of approximately \$103,000 and additional sewer connection fees of approximately \$23,000 which were offset by a decrease in interest on delinquent accounts of approximately \$44,000. Total operating expenses increased \$2,373,613 and \$781,388 or 14% and 5% in 2008 and 2007, 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 and vehicle repairs and maintenance 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, 2008

(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 increased \$98,000 or 69% in 2008 and \$19,000 or 3% in 2007. In 2008 these changes are primarily due to increases in interest expense of \$58,000 and bad debt expense of \$27,000. In 2007, these changes are primarily the result of increases in interest expenses of \$25,000 and bad debt expense of \$25,000.

Interest income decreased \$312,000 and \$39,000 in 2008 and 2007 or 65% and 8%, respectively; due mainly to changes in the interest rates during 2008 and 2007, and decreasing cash balances available for investing in 2008.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2008, 2007 and 2006.

|                                     | <u>2008</u>         | <u>2007</u>          | <u>2006</u>         |
|-------------------------------------|---------------------|----------------------|---------------------|
| Land                                | \$ 1,185,195        | \$ 1,185,195         | \$ 1,185,195        |
| Land Improvements                   | 39,254              | 12,258               | 691                 |
| Buildings and Building Improvements | 526,550             | 548,633              | 570,153             |
| Leasehold Improvements              | 7,145,641           | 7,507,611            | 2,580,673           |
| Property and Equipment              | 1,902,782           | 1,857,535            | 1,602,578           |
| Construction in Progress            | <u>1,263,782</u>    | <u>879,757</u>       | <u>3,734,774</u>    |
| Total                               | <u>\$12,063,204</u> | <u>\$ 11,990,989</u> | <u>\$ 9,674,064</u> |

Major capital asset events during the year included the following:

- Acquisition of solid waste system vehicles and equipment for transfer station operations.

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, 2008**

**(Continued)**

### **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

#### **Capital Debt**

The following table summarizes the changes in capital debt between fiscal 2008, 2007 and 2006.

|                            | <u>2008</u>          | <u>2007</u>          | <u>2006</u>          |
|----------------------------|----------------------|----------------------|----------------------|
| Sewer Revenue Bonds        | \$ 8,635,000         | \$ 9,115,000         | \$ 9,575,000         |
| Solid Waste Revenue Bonds  | 13,216,453           | 13,463,492           | 11,492,613           |
| Solid Waste Capital Leases | 105,425              | 137,377              | 167,855              |
|                            | <u>\$ 21,956,878</u> | <u>\$ 22,715,869</u> | <u>\$ 21,235,468</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**

- 2008 service fee rates for both the sewer and solid waste system users increased 14% and 20%, respectively in 2009.
- Loss of major sewer user due to bankruptcy in 2009 and its effect on future rates.
- Increasing sewer processing fees and their effect on future rates.
- Increasing solid waste disposal fees, fuel costs and vehicle replacement costs and their effect on future rates.
- Building of renewal and replacement reserves essential to future capital programs suspended in 2009.
- Expansion of transfer station operations to provide new sources of revenue.
- Increased pressure to control rising costs of employee salary and wages and employee health benefits.

All of these factors were considered in preparing the PMUA's budget for the 2009 fiscal year.

### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**AS OF DECEMBER 31, 2008 AND 2007**

|   | <u>2008</u>  | <u>2007</u>  |
|---|--------------|--------------|
| <b>ASSETS</b>   |              |              |
| Unrestricted Current Assets                               |              |              |
| Cash  | \$ 1,159,990 | \$ 1,373,027 |
| Accounts Receivable (net of allowance for uncollectibles) | 4,678,359    | 4,425,040    |
| Other Receivables   | 4,032        |              |
| Prepaid Items   | 8,008        | 19,153       |
| Other Assets  | 24,120       | 24,120       |
|   | <hr/>        | <hr/>        |
| Total Unrestricted Current Assets                         | 5,874,509    | 5,841,340    |
| Restricted Current Assets                                 |              |              |
| Revenue Account   |              |              |
| Cash Equivalents  | 1,019        | 139,580      |
| General Fund Account                                      |              |              |
| Cash Equivalents  | 98,275       | 216,230      |
| Developers Escrow Account                                 |              |              |
| Cash  | 34,490       | 36,329       |
| Revenue Bond Service Account                              |              |              |
| Cash Equivalents  | 870,987      | 895,734      |
| Revenue Bond Reserve Account                              |              |              |
| Cash Equivalents  | 2,378,514    | 2,377,839    |
| Revenue Bond Construction Account                         |              |              |
| Cash Equivalents  | 842,259      | 1,505,601    |
| Revenue Bond Cost of Issuance Account                     |              |              |
| Cash Equivalents  | 115          | 111          |
| Renewal and Replacement Account                           |              |              |
| Cash Equivalents  | 4,047,097    | 4,278,848    |
|   | <hr/>        | <hr/>        |
| Total Restricted Current Assets                           | 8,272,756    | 9,450,275    |
|   | <hr/>        | <hr/>        |
| Total Current Assets                                      | 14,147,265   | 15,291,615   |
| Noncurrent Assets   |              |              |
| Deferred Charges  |              |              |
| Debt Issuance Costs (net of amortization)                 | 540,346      | 598,394      |
|   | <hr/>        | <hr/>        |
| Capital Assets  |              |              |
| Land  | 1,185,195    | 1,185,195    |
| Land Improvements   | 43,024       | 14,024       |
| Buildings and Building Improvements                       | 722,765      | 722,765      |
| Leasehold Improvements                                    | 8,192,805    | 8,200,282    |
| Property and Equipment                                    | 7,538,897    | 6,989,568    |
| Construction in Progress                                  | 1,263,782    | 879,757      |
| Accumulated Depreciation                                  | (6,883,264)  | (6,000,602)  |
|   | <hr/>        | <hr/>        |
| Total Capital Assets (net of accumulated depreciation)    | 12,063,204   | 11,990,989   |
|   | <hr/>        | <hr/>        |
| Total Noncurrent Assets                                   | 12,603,550   | 12,589,383   |
|   | <hr/>        | <hr/>        |
| Total Assets  | 26,750,815   | 27,880,998   |

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, 2008 AND 2007**

|  | <u>2008</u>         | <u>2007</u>         |
|--|---------------------|---------------------|
| <b>LIABILITIES</b>   |                     |                     |
| Current Liabilities (Payable from Unrestricted Assets)     |                     |                     |
| Accounts Payable   | \$ 1,102,060        | \$ 926,736          |
| Capital Lease Payable                                      | 33,496              | 31,951              |
| Accrued Expenses   | 34,390              | 25,735              |
| Accrued Salary and Related Benefits                        | 136,535             | 68,884              |
| Accrued Interest Payable                                   | 4,662               | 6,075               |
| Accrued Compensated Absences                               | 22,145              | 26,467              |
| Unearned Revenue   | 51,089              |                     |
| Other Liabilities  | 37,854              | 83,931              |
| Total Current Liabilities Payable from Unrestricted Assets | <u>1,422,231</u>    | <u>1,169,779</u>    |
| Current Liabilities (Payable from Restricted Assets)       |                     |                     |
| Accounts Payable   | 42,783              | 282,627             |
| Revenue Bonds Payable                                      | 918,698             | 848,912             |
| Accrued Interest on Bonds                                  | 84,264              | 87,065              |
| Escrow Deposits Payable                                    | 32,955              | 34,955              |
| Total Current Liabilities Payable from Restricted Assets   | <u>1,078,700</u>    | <u>1,253,559</u>    |
| Total Current Liabilities                                  | <u>2,500,931</u>    | <u>2,423,338</u>    |
| Non-Current Liabilities                                    |                     |                     |
| Revenue Bonds Payable (Net of Unamortized Discounts)       | 20,768,801          | 21,549,312          |
| Capital Lease Payable                                      | 71,929              | 105,426             |
| Accrued Compensated Absences                               | 199,301             | 238,208             |
| Unearned Revenue   | 102,176             |                     |
| Total Non-Current Liabilities                              | <u>21,142,207</u>   | <u>21,892,946</u>   |
| Total Liabilities  | <u>23,643,138</u>   | <u>24,316,284</u>   |
| <b>NET ASSETS</b>  |                     |                     |
| Invested in Capital Assets, net of related debt            | (4,237,304)         | (4,163,640)         |
| Restricted For:  |                     |                     |
| Debt Service   | 821,817             | 734,132             |
| Renewal and Replacement                                    | 4,047,097           | 4,112,942           |
| Unrestricted   | <u>2,476,067</u>    | <u>2,881,280</u>    |
| Total Net Assets   | <u>\$ 3,107,677</u> | <u>\$ 3,564,714</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

|  | <u>2008</u>         | <u>2007</u>         |
|--|---------------------|---------------------|
| <b>OPERATING REVENUES</b>                |                     |                     |
| Sewer Fees                               | \$ 9,326,320        | \$ 9,027,424        |
| Solid Waste Fees                         | 8,054,625           | 7,356,284           |
| Municipal Solid Waste Contribution       | 1,200,000           | 1,200,000           |
| Interest on Delinquent Balances          | 364,577             | 314,486             |
| Miscellaneous                            | 762,754             | 657,470             |
| Total Operating Revenues                 | <u>19,708,276</u>   | <u>18,555,664</u>   |
| <b>OPERATING EXPENSES</b>                |                     |                     |
| Administration                           |                     |                     |
| Board of Commissioners                   | 177,222             | 153,247             |
| Administrative and Executive             | 1,158,825           | 1,119,023           |
| Finance and Accounting                   | 1,185,906           | 986,260             |
| Customer Service                         | 726,548             | 315,636             |
| Public Information                       | 263,969             | 237,207             |
| Information Technology                   | 383,150             | 700,024             |
| Human Resources                          | 554,787             | 350,308             |
| Cost of Providing Services               |                     |                     |
| Central Services                         | 2,334,023           | 1,885,608           |
| Sewer Operations                         | 5,105,683           | 4,837,570           |
| Solid Waste Collection and Disposal      | 3,976,735           | 3,301,104           |
| Bulky Waste Pick-Up                      | 771,044             | 570,969             |
| Transfer Station                         | 1,473,101           | 1,278,103           |
| Public Can and Street Maintenance        | 135,424             | 179,800             |
| Depreciation                             | 882,662             | 539,707             |
| Total Operating Expenses                 | <u>19,128,179</u>   | <u>16,754,566</u>   |
| <b>OPERATING INCOME</b>                  | <u>580,097</u>      | <u>1,801,098</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                     |                     |
| Interest Income                          | 166,535             | 478,404             |
| Interest Expenses                        | (1,079,683)         | (1,022,119)         |
| Amortization of Costs of Issuance        | (58,048)            | (57,062)            |
| Intergovernmental Grants                 | 42,891              | 55,129              |
| Bad Debt Expense                         | (108,829)           | (81,686)            |
| Total Non-Operating Income (Expenses)    | <u>(1,037,134)</u>  | <u>(627,334)</u>    |
| <b>CHANGE IN NET ASSETS</b>              | <u>(457,037)</u>    | <u>1,173,764</u>    |
| Total Net Assets, January 1              | <u>3,564,714</u>    | <u>2,390,950</u>    |
| Total Net Assets, December 31            | <u>\$ 3,107,677</u> | <u>\$ 3,564,714</u> |



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

|   | <u>2008</u>         | <u>2007</u>          |
|---|---------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                     |                      |
| Cash Received from Customers                                    | \$ 18,253,316       | \$ 16,499,875        |
| Cash Received from Municipality                                 | 1,200,000           | 1,200,000            |
| Cash Paid to Suppliers  | (12,119,440)        | (11,081,241)         |
| Cash Paid to Employees  | (5,979,786)         | (5,102,928)          |
| Net Cash Provided by Operating Activities                       | <u>1,354,090</u>    | <u>1,515,706</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                     |                      |
| Proceeds from Intergovernmental Grants                          | 42,891              | 55,129               |
| Proceeds from Escrow Deposits                                   | (2,000)             | 29,707               |
| Cash Received from Non-Operating Revenues                       | <u>          </u>   | <u>          </u>    |
| Net Cash Provided by Non-Capital Financing Activities           | <u>40,891</u>       | <u>84,836</u>        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                     |                      |
| Proceeds from Issuance of Capital Debt                          |                     | 2,168,145            |
| Principal Payments on Bonds                                     | (848,950)           | (705,000)            |
| Principal Payment on Capital Leases                             | (31,952)            | (30,478)             |
| Acquisition of Capital Assets                                   | (1,125,498)         | (2,704,101)          |
| Payment of Debt Issuance Costs                                  |                     | (63,000)             |
| Interest Paid on Bonds  | (939,031)           | (875,601)            |
| Interest Paid on Capital Leases                                 | (6,641)             | (8,115)              |
| Net Cash (Used for) Capital and Related Financing Activities    | <u>(2,952,072)</u>  | <u>(2,218,150)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                     |                      |
| Interest Received   | <u>166,535</u>      | <u>478,404</u>       |
| Net Cash Provided by Investing Activities                       | <u>166,535</u>      | <u>478,404</u>       |
| Net (Decrease) in Cash and Cash Equivalents                     | <u>(1,390,556)</u>  | <u>(139,204)</u>     |
| Cash and Cash Equivalents, January 1,                           | <u>10,823,302</u>   | <u>10,962,506</u>    |
| Cash and Cash Equivalents, December 31,                         | <u>\$ 9,432,746</u> | <u>\$ 10,823,302</u> |
| <b>ANALYSIS OF BALANCE AT DECEMBER 31</b>                       |                     |                      |
| Unrestricted - Cash and Cash Equivalents                        | \$ 1,159,990        | \$ 1,373,027         |
| Restricted - Cash and Cash Equivalents                          | <u>8,272,756</u>    | <u>9,450,275</u>     |
|   | <u>\$ 9,432,746</u> | <u>\$ 10,823,302</u> |

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

|   | <u>2008</u>  | <u>2007</u>  |
|---|--------------|--------------|
| <b>Reconciliation of Operating Income to Net Cash Provided by</b> |              |              |
| Operating Activities:   |              |              |
| Operating Income  | \$ 580,097   | \$ 1,801,098 |
| Adjustments to Reconcile Operating Income to Net Cash             |              |              |
| Provided by Operating Activities:                                 |              |              |
| Provision for Uncollectible Accounts                              | (108,829)    | (81,686)     |
| Depreciation  | 882,662      | 539,707      |
| (Increase)/Decrease in Accounts Receivable                        | (253,319)    | (644,326)    |
| (Increase)/Decrease in Other Receivables                          | (4,032)      |              |
| (Increase)/Decrease in Prepaid Items                              | 11,145       | 10,618       |
| Increase/(Decrease) in Accounts Payable                           | 106,101      | (21,270)     |
| Increase/(Decrease) in Accrued Expenses                           | 8,655        | 1,078        |
| Increase/(Decrease) in Accrued Salary and Related Benefits        | 67,651       | 26,162       |
| Increase/(Decrease) in Accrued Compensated Absences               | (43,229)     | 14,102       |
| Increase/(Decrease) in Deferred Revenue                           | 153,265      |              |
| Increase/(Decrease) in Other Liabilities                          | (46,077)     | (129,777)    |
| Total Adjustments   | 773,993      | (285,392)    |
| Net Cash Provided by Operating Activities                         | \$ 1,354,090 | \$ 1,515,706 |
| Noncash Investing, Capital and Financing Activities:              |              |              |
| Purchase of Capital Assets on Account                             | \$ 129,707   | \$ 300,328   |
| Accretion of Capital Appreciation Bonds                           | 121,911      | 115,879      |
| Original Issue Discount   | 20,574       | 20,574       |
| Original Issue Premium  | (4,260)      | (3,194)      |

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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 collects 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, 2008 AND 2007

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 covenant requirements (more fully defined in Note 3).

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

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

**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, 2008 AND 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

2. *Inventory*

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

3. *Accounts Receivable*

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

4. *Prepaid Items*

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

5. *Interfunds Receivable and Payable*

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

6. *Restricted Assets*

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

7. *Capital Assets*

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

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

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during 2008 and 2007 was \$1,079,683 and \$1,022,119, respectively. None of these amounts were included as part of the cost of capital assets under construction for these years.

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, vacation benefits, compensatory time in lieu of overtime and salary related payments 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, 2007 balances to conform to the December 31, 2008 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, 2008 AND 2007**

**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.

***3. Designated Unrestricted Net Assets***

The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net assets. The Authority Board of Commissioners may formally designate net assets to establish reserves of unrestricted net assets to meet policy adopted by the Board. The Authority established the following unrestricted net assets designations:

Designated for Solid Waste System Equipment – This designation was established to designate the portion of the unrestricted net assets of the solid waste system for the acquisition of trailers for transfer station operations funded by and encumbered against the 2008 budget appropriations. These trailers were subsequently received by the Authority in January 2009.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**3. Designated Unrestricted Net Assets (Continued)**

At December 31, 2008 and 2007 the unrestricted net assets balances were classified as follows:

|   | <u>2008</u>        | <u>2007</u>        |
|---|--------------------|--------------------|
| Designated for Solid Waste System Equipment |                    | \$ 226,550         |
| Undesignated                                | <u>\$2,476,067</u> | <u>2,654,730</u>   |
|   | <u>\$2,476,067</u> | <u>\$2,881,280</u> |

**NOTE 3 CREATION OF FUNDS**

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

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

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

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

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

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

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

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

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

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 3 CREATION OF FUNDS (Continued)**

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 at December 31, 2008 and 2007 are insured up to \$250,000 and \$100,000, respectively, 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, 2008 and 2007, the book value of the Authority's deposits were \$1,194,480 and \$1,409,356, respectively, and bank balances of the Authority's cash and deposits amounted to \$2,079,092 and \$1,743,200, respectively.

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

| <u>Depository Account</u> | <u>2008</u>        | <u>Bank Balance</u><br><u>2007</u> |
|---------------------------|--------------------|------------------------------------|
| Insured                   |                    |                                    |
| Restricted                | \$ 34,490          | \$ 36,329                          |
| Unrestricted              | <u>2,044,602</u>   | <u>1,706,871</u>                   |
|                           | <u>\$2,079,092</u> | <u>\$1,743,200</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, 2008 and 2007, 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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

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 (§a-8e).

As of December 31, 2008 and 2007, the Authority had the following investments:

| <u>Investment Type</u>          | <u>Fair Value</u> |              |
|---------------------------------|-------------------|--------------|
|                                 | <u>2008</u>       | <u>2007</u>  |
| U.S. Government Security Funds: |                   |              |
| Restricted                      | \$ 8,238,266      | \$ 9,413,946 |
| Cash Equivalents                | \$ 8,238,266      | \$ 9,413,946 |

**Custodial Credit Risk – Investments** - For an investment, this is the risk, that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Board does not have a policy for custodial risk. As of December 31, 2008 and 2007 \$8,238,266 and \$9,413,946, respectively of the Authority's investments was exposed to custodial credit risk as follows:

|   | <u>Fair Value</u> |              |
|---|-------------------|--------------|
|   | <u>2008</u>       | <u>2007</u>  |
| Uninsured and Collateralized:   |                   |              |
| Collateral held by pledging financial institutions' trust department or agent but not in the Authority name | \$ 8,238,266      | \$ 9,413,946 |

**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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

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

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

**NOTE 5 RESTRICTED ASSETS**

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

**NOTE 6 USER CHARGES RECEIVABLE**

User charges receivable at December 31, 2008 and 2007, including the applicable Allowance for Doubtful Accounts, consisted of the following:

|                                    | December 31,<br>2008 | December 31,<br>2007 |
|------------------------------------|----------------------|----------------------|
| Gross User Charges Receivable      | \$ 4,910,676         | \$ 4,596,922         |
| Less: Allowance for Uncollectibles | (232,317)            | (171,882)            |
| Net User Charges Receivable        | <u>\$ 4,678,359</u>  | <u>\$ 4,425,040</u>  |

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 7 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2008 and 2007 was as follows:

|  | Balance<br>January 1,<br>2008 | Increases  | Decreases   | Balance,<br>December 31,<br>2008 |
|--|-------------------------------|------------|-------------|----------------------------------|
| 2008   |                               |            |             |                                  |
| Capital assets, not being depreciated:       |                               |            |             |                                  |
| Land   | \$ 1,185,195                  |            |             | \$ 1,185,195                     |
| Construction in Progress                     | 879,757                       | \$ 384,025 |             | 1,263,782                        |
| Total capital assets, not being depreciated  | 2,064,952                     | 384,025    |             | 2,448,977                        |
| Capital assets, being depreciated:           |                               |            |             |                                  |
| Land Improvements                            | 14,024                        | 29,000     |             | 43,024                           |
| Buildings and Building Improvements          | 722,765                       |            |             | 722,765                          |
| Leasehold Improvements                       | 8,200,282                     | 16,284     | \$ (23,761) | 8,192,805                        |
| Property and Equipment                       | 6,989,568                     | 549,329    |             | 7,538,897                        |
| Total capital assets being depreciated       | 15,926,639                    | 594,613    | (23,761)    | 16,497,491                       |
| Less accumulated depreciation for:           |                               |            |             |                                  |
| Land Improvements                            | (1,766)                       | (2,004)    |             | (3,770)                          |
| Buildings and Building Improvements          | (174,132)                     | (22,083)   |             | (196,215)                        |
| Leasehold Improvements                       | (692,671)                     | (354,493)  |             | (1,047,164)                      |
| Property and Equipment                       | (5,132,033)                   | (504,082)  |             | (5,636,115)                      |
| Total accumulated depreciation               | (6,000,602)                   | (882,662)  |             | (6,883,264)                      |
| Total capital assets, being depreciated, net | 9,926,037                     | (288,049)  | (23,761)    | 9,614,227                        |
| Total capital assets, net                    | \$ 11,990,989                 | \$ 95,976  | \$ (23,761) | \$ 12,063,204                    |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 7 CAPITAL ASSETS (Continued)**

|  | Balance<br>January 1,<br>2007 | Increases    | Decreases    | Balance,<br>December 31,<br>2007 |
|--|-------------------------------|--------------|--------------|----------------------------------|
| <b>2007</b>                                  |                               |              |              |                                  |
| Capital assets, not being depreciated:       |                               |              |              |                                  |
| Land   | \$ 1,185,195                  |              |              | \$ 1,185,195                     |
| Construction in Progress                     | 3,734,774                     | \$ 2,171,035 | \$ 5,026,052 | 879,757                          |
| Total capital assets, not being depreciated  | 4,919,969                     | 2,171,035    | 5,026,052    | 2,064,952                        |
| Capital assets, being depreciated:           |                               |              |              |                                  |
| Land Improvements                            | 2,150                         | 11,874       |              | 14,024                           |
| Buildings and Building Improvements          | 722,765                       |              |              | 722,765                          |
| Leasehold Improvements                       | 3,174,230                     | 5,026,052    |              | 8,200,282                        |
| Property and Equipment                       | 6,329,982                     | 673,723      | (14,137)     | 6,989,568                        |
| Total capital assets being depreciated       | 10,229,127                    | 5,711,649    | (14,137)     | 15,926,639                       |
| Less accumulated depreciation for:           |                               |              |              |                                  |
| Land Improvements                            | (1,459)                       | (307)        |              | (1,766)                          |
| Buildings and Building Improvements          | (152,612)                     | (21,520)     |              | (174,132)                        |
| Leasehold Improvements                       | (593,557)                     | (99,114)     |              | (692,671)                        |
| Property and Equipment                       | (4,727,404)                   | (418,766)    | 14,137       | (5,132,033)                      |
| Total accumulated depreciation               | (5,475,032)                   | (539,707)    | 14,137       | (6,000,602)                      |
| Total capital assets, being depreciated, net | 4,754,095                     | 5,171,942    | -            | 9,926,037                        |
| Total capital assets, net                    | \$ 9,674,064                  | \$ 7,342,977 | \$ 5,026,052 | \$ 11,990,989                    |

**NOTE 8 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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 8 LONG-TERM DEBT (Continued)**

**Revenue Bonds (Continued)**

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

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.

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

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

Revenue Bonds outstanding at December 31, 2008 and 2007, consist of the following:

|   | <u>2008</u>  | <u>2007</u>  |
|---|--------------|--------------|
| \$6,135,000 Sewer Revenue Bonds, Series 1999A<br>4.40% to 4.75% due in annual installments of \$355,000 to \$615,000<br>on December 15, 2011 to 2023          | \$ 6,135,000 | \$ 6,135,000 |
| \$3,255,000 Sewer Revenue Bonds, Taxable Series, 1999B<br>5.65% to 6.00% due in annual installments of \$400,000 to \$450,000<br>on December 15, 2008 to 2010 | 875,000      | 1,275,000    |
| \$1,935,000 Sewer Revenue Bonds, Series 2003<br>2.00% to 4.60% due in annual installments of \$80,000 to \$145,000<br>on October 1, 2008 to 2023              | 1,625,000    | 1,705,000    |



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 8 LONG-TERM DEBT (Continued)**

**Revenue Bonds (Continued)**

|  | <u>2008</u>   | <u>2007</u>   |
|--|---------------|---------------|
| \$4,820,000 Solid Waste Revenue Bonds, Series 1999A<br>4.40% to 4.75% due in annual installments of \$280,000 to \$480,000<br>on December 15, 2011 to 2023   | \$ 4,820,000  | \$ 4,820,000  |
| \$2,025,000 Solid Waste Revenue Bonds, Taxable Series 1999B<br>5.65% to 6.00% due in annual installments of \$235,000 to \$265,000<br>on December 15, 2008 to 2010   | 515,000       | 750,000       |
| \$5,414,004 Solid Waste Revenue Bonds, Series 2003<br>2.00% to 4.10% due in annual installments of \$40,000 to \$945,000<br>on October 15, 2008 to 2023<br>(Includes Accretion of \$576,399 and \$454,488<br>through December 31, 2008 and 2007, respectively) | 5,875,403     | 5,793,492     |
| \$2,100,000 Subordinate Solid Waste Revenue Bonds, Series 2007<br>4.95% due in monthly installments of \$7,653 to \$16,232<br>on January 1, 2008 to April 1, 2023  | 2,006,050     | 2,100,000     |
| Total  | \$ 21,851,453 | \$ 22,578,492 |

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of December 31, 2008 is as follows:

| <u>Period Ending</u>  | <u>Revenue Bonds</u> |                 |               |
|---|----------------------|-----------------|---------------|
| <u>December 31,</u>   | <u>Principal (1)</u> | <u>Interest</u> | <u>Total</u>  |
| 2009  | \$ 918,698           | \$ 893,302      | \$ 1,812,000  |
| 2010  | 1,013,685            | 843,827         | 1,857,512     |
| 2011  | 983,925              | 789,642         | 1,773,567     |
| 2012  | 1,079,429            | 748,037         | 1,827,466     |
| 2013  | 1,180,212            | 701,485         | 1,881,697     |
| 2014-2018   | 7,783,559            | 2,611,968       | 10,395,527    |
| 2019-2023   | 11,131,542           | 913,589         | 12,045,131    |
|   | 24,091,050           | \$ 7,501,850    | \$ 31,592,900 |
| Less: Unaccreted Value of<br>Capital Appreciation Revenue<br>Bonds at December 31, 2008 | (2,239,597)          |                 |               |
|   | <u>\$ 21,851,453</u> |                 |               |

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

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 8 LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

The Authority's long-term liability activity for the year ended December 31, 2008 and 2007 are as follows:

|  | Balance,<br>January 1,<br><u>2008</u> | <u>Additions</u>    | <u>Reductions</u>   | Balance,<br>December 31,<br><u>2008</u> | Due Within<br><u>One Year</u> |
|--|---------------------------------------|---------------------|---------------------|---|-------------------------------|
| <u>2008</u>                                      |                                       |                     |                     |   |                               |
| Revenue Bonds                                    | \$ 22,578,492                         | \$ 121,911          | \$ (848,950)        | \$ 21,851,453                           | \$ 918,698                    |
| Less: Deferred Amounts<br>for Issuance Discounts | (245,219)                             | -                   | 20,574              | (224,645)                               | -                             |
| Plus: Deferred Amounts<br>for Issuance Premiums  | 64,951                                | -                   | (4,260)             | 60,691                                  | -                             |
| Total Bonds Payable                              | 22,398,224                            | 121,911             | (832,636)           | 21,687,499                              | 918,698                       |
| Capital Lease Payable                            | 137,377                               | -                   | (31,952)            | 105,425                                 | 33,496                        |
| Compensated Absences                             | 264,675                               | -                   | (43,229)            | 221,446                                 | 22,145                        |
| Unearned Revenue                                 | -                                     | 204,354             | (51,089)            | 153,265                                 | 51,089                        |
| Long-Term Liabilities                            | <u>\$ 22,800,276</u>                  | <u>\$ 326,265</u>   | <u>\$ (958,906)</u> | <u>\$ 22,167,635</u>                    | <u>\$ 1,025,428</u>           |
|  | Balance,<br>January 1,<br><u>2007</u> | <u>Additions</u>    | <u>Reductions</u>   | Balance,<br>December 31,<br><u>2007</u> | Due Within<br><u>One Year</u> |
| <u>2007</u>                                      |                                       |                     |                     |   |                               |
| Revenue Bonds                                    | \$ 21,067,613                         | \$ 2,215,879        | \$ (705,000)        | \$ 22,578,492                           | \$ 848,950                    |
| Less: Deferred Amounts<br>for Issuance Discounts | (265,793)                             | -                   | 20,574              | (245,219)                               | -                             |
| Plus: Deferred Amounts<br>for Issuance Premiums  | -                                     | 68,145              | (3,194)             | 64,951                                  | -                             |
| Total Bonds Payable                              | 20,801,820                            | 2,284,024           | (687,620)           | 22,398,224                              | 848,950                       |
| Capital Lease Payable                            | 167,855                               | -                   | (10,478)            | 137,377                                 | 31,951                        |
| Compensated Absences                             | 250,573                               | 14,102              | -                   | 264,675                                 | 26,467                        |
| Long-Term Liabilities                            | <u>\$ 21,220,248</u>                  | <u>\$ 2,298,126</u> | <u>\$ (718,098)</u> | <u>\$ 22,800,276</u>                    | <u>\$ 907,368</u>             |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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 May 7, 2009, the City has not been required to pay an annual charge to the Authority under the Deficiency Agreement.

**NOTE 10 INTERLOCAL SERVICE AGREEMENT**

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

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

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

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

Under the Interlocal Agreement, the Authority agreed to pay the City its Revenue Sharing Percentage for each Fiscal Year, as set forth in the Agreement. After the close of each fiscal year the Authority is required to perform a calculation, in accordance with the Interlocal Agreement, of the Revenue Sharing Percentage, due the City, if any, for such fiscal year. The Authority was not required to pay any amounts to the City under the revenue sharing percentage for the years ended December 31, 2008 and 2007.

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 10 INTERLOCAL SERVICE AGREEMENT (Continued)**

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

**NOTE 11 LEASES**

**Operating Leases**

As previously discussed, the Authority leases certain sewer system assets under an interlocal service agreement which will expire October 17, 2037. The lease payment for the years ended December 31, 2008 and 2007 was \$1,447,185 and \$1,399,101, respectively. Future minimum lease payments for the next three years are as follows:

| <u>Year Ending<br/>December 31,</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| 2009                                | \$1,546,440   |
| 2010                                | 1,546,440     |
| 2011                                | 1,546,440     |

The lease payment amounts for the years 2010 and 2011 will be adjusted in accordance with the Escalation Factor as defined in the Interlocal Agreement.

In addition, the Authority leased office space to house the Authority's central services and human resources departments, vehicles and copiers. The lease terms are for 2 to 5 years. The lease payments for the years ended December 31, 2008 and 2007 were \$227,965 and \$221,835, 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<br/>December 31,</u> | <u>Office<br/>Space</u> | <u>Vehicles</u>  | <u>Copiers</u>   | <u>Total</u>      |
|-------------------------------------|-------------------------|------------------|------------------|-------------------|
| 2009                                | \$ 195,739              | \$ 30,624        | \$ 12,993        | \$ 239,356        |
| 2010                                | 203,568                 | 3,515            | 6,165            | 213,248           |
| 2011                                | 210,504                 | 3,515            | 2,569            | 216,588           |
| 2012                                | 216,819                 | 586              | -                | 217,405           |
| Total                               | <u>\$ 826,630</u>       | <u>\$ 38,240</u> | <u>\$ 21,727</u> | <u>\$ 886,597</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 11 LEASES (Continued)**

**Capital Lease**

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

The capital assets acquired through capital leases are as follows:

|                                | <u>2008</u>      | <u>2007</u>      |
|--------------------------------|------------------|------------------|
| Machinery and Equipment        | \$167,855        | \$167,855        |
| Less: Accumulated Depreciation | <u>(95,118)</u>  | <u>(61,547)</u>  |
| Total                          | <u>\$ 72,737</u> | <u>\$106,308</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008 were as follows:

| <u>Year Ended</u><br><u>December 31,</u>    | <u>Amount</u>     |
|---|-------------------|
| 2009  | \$ 38,593         |
| 2010  | 38,593            |
| 2011  | <u>38,593</u>     |
| Total                                       | 115,779           |
| Less: Amounts representing Interest         | <u>(10,354)</u>   |
| Present value of Net Minimum Lease Payments | <u>\$ 105,425</u> |

**NOTE 12 ACCRUED COMPENSATED ABSENCES**

Under the existing policies of the Authority, employees are allowed to accumulate (with certain restrictions) unused sick leave, personal time, compensatory time in lieu of overtime and vacation benefits over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement, termination in good standing or by extended absence immediately preceding retirement. It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$221,446 and \$264,675 at December 31, 2008 and 2007, respectively. These amounts are accrued as a liability at December 31, 2008 and 2007.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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>2008</u>         |                       | <u>2007</u>         |                       |
|--|---------------------|-----------------------|---------------------|-----------------------|
|  | <u>Sewer</u>        | <u>Solid Waste</u>    | <u>Sewer</u>        | <u>Solid Waste</u>    |
| <b>Assets</b>                                      |                     |                       |                     |                       |
| Unrestricted Current Assets                        | \$ 4,318,510        | \$ 1,555,999          | \$ 3,697,304        | \$ 2,144,036          |
| Restricted Current Assets                          | 4,410,329           | 3,862,427             | 6,241,319           | 3,208,956             |
| Other Assets                                       | 198,447             | 341,899               | 223,319             | 375,075               |
| Capital Assets                                     | <u>4,655,472</u>    | <u>7,407,732</u>      | <u>4,522,144</u>    | <u>7,468,845</u>      |
| Total Assets                                       | <u>13,582,758</u>   | <u>13,168,057</u>     | <u>14,684,086</u>   | <u>13,196,912</u>     |
| <b>Liabilities</b>                                 |                     |                       |                     |                       |
| Current Liabilities                                | 383,017             | 1,039,214             | 240,327             | 929,452               |
| Current Liabilities Payable from Restricted Assets | 612,302             | 466,398               | 627,935             | 625,624               |
| Noncurrent Liabilities                             | <u>8,196,309</u>    | <u>12,945,898</u>     | <u>8,589,608</u>    | <u>13,303,338</u>     |
| Total Liabilities                                  | <u>9,191,628</u>    | <u>14,451,510</u>     | <u>9,457,870</u>    | <u>14,858,414</u>     |
| <b>Net Assets</b>                                  |                     |                       |                     |                       |
| Invested in Capital Assets, Net of Related Debt    | (1,221,073)         | (3,016,231)           | (1,259,989)         | (2,903,651)           |
| Restricted   | 2,580,419           | 2,288,495             | 3,930,178           | 916,896               |
| Unrestricted                                       | <u>3,031,784</u>    | <u>(555,717)</u>      | <u>2,556,027</u>    | <u>325,253</u>        |
| Total Net Assets                                   | <u>\$ 4,391,130</u> | <u>\$ (1,283,453)</u> | <u>\$ 5,226,216</u> | <u>\$ (1,661,502)</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 13 SEGMENT INFORMATION (Continued)**

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

|                                       | <u>2008</u>         |                       | <u>2007</u>         |                       |
|---------------------------------------|---------------------|-----------------------|---------------------|-----------------------|
|                                       | <u>Sewer</u>        | <u>Solid Waste</u>    | <u>Sewer</u>        | <u>Solid Waste</u>    |
| Operating Revenues                    |                     |                       |                     |                       |
| Sewer Fees                            | \$ 9,326,320        |                       | \$ 9,027,424        |                       |
| Solid Waste Fees                      |                     | \$ 8,054,625          |                     | \$ 7,356,284          |
| Municipal Solid Waste Contribution    |                     | 1,200,000             |                     | 1,200,000             |
| Other                                 | 337,271             | 290,060               | 239,012             | 732,944               |
| Depreciation Expense                  | (140,627)           | (742,035)             | (161,233)           | (378,474)             |
| Other Operating Expenses              | (8,467,933)         | (9,777,584)           | (7,693,972)         | (8,520,887)           |
| Operating Income (Loss)               | <u>1,055,031</u>    | <u>(474,934)</u>      | <u>1,411,231</u>    | <u>389,867</u>        |
| Non-operating Revenues (Expenses)     |                     |                       |                     |                       |
| Interest Income                       | 125,604             | 40,931                | 306,907             | 171,497               |
| Interest Expense                      | (442,475)           | (637,208)             | (467,070)           | (555,049)             |
| Amortization Expense                  | (24,872)            | (33,176)              | (24,871)            | (32,191)              |
| Intergovernmental Grants              |                     | 42,894                |                     | 55,129                |
| Bad Debt Expense                      | (48,374)            | (60,455)              | (26,557)            | (55,129)              |
| Total Non-Operating Income (Expenses) | <u>(390,117)</u>    | <u>(647,017)</u>      | <u>(211,591)</u>    | <u>(415,743)</u>      |
| Income (Loss) Before Transfers        | <u>664,914</u>      | <u>(1,121,951)</u>    | <u>1,199,640</u>    | <u>(25,876)</u>       |
| Transfers In (Out)                    | <u>(1,500,000)</u>  | <u>1,500,000</u>      |                     |                       |
| Change in Net Assets                  | <u>(835,086)</u>    | <u>378,049</u>        | <u>1,199,640</u>    | <u>(25,876)</u>       |
| Beginning Net Assets                  | <u>5,226,216</u>    | <u>(1,661,502)</u>    | <u>4,026,576</u>    | <u>(1,635,626)</u>    |
| Ending Net Assets                     | <u>\$ 4,391,130</u> | <u>\$ (1,283,453)</u> | <u>\$ 5,226,216</u> | <u>\$ (1,661,502)</u> |

**Condensed Statement of Cash Flows**

|  | <u>2008</u>         |                     | <u>2007</u>         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <u>Sewer</u>        | <u>Solid Waste</u>  | <u>Sewer</u>        | <u>Solid Waste</u>  |
| Net cash provided by (used for):         |                     |                     |                     |                     |
| Operating activities                     | \$ 1,366,398        | \$ (12,308)         | \$ 1,041,455        | \$ 474,251          |
| Noncapital financing activities          | (1,502,000)         | 1,542,891           | 29,707              | 55,129              |
| Capital and related financing activities | (1,214,498)         | (1,737,574)         | (1,076,502)         | (1,141,648)         |
| Investing activities                     | 125,604             | 40,931              | 306,907             | 171,497             |
| Net increase/(decrease)                  | <u>(1,224,496)</u>  | <u>(166,060)</u>    | <u>301,567</u>      | <u>(440,771)</u>    |
| Beginning cash and cash equivalents      | <u>7,475,362</u>    | <u>3,347,940</u>    | <u>7,173,795</u>    | <u>3,788,711</u>    |
| Ending cash and cash equivalents         | <u>\$ 6,250,866</u> | <u>\$ 3,181,880</u> | <u>\$ 7,475,362</u> | <u>\$ 3,347,940</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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, 2008 and 2007 are as follows:

|  | <u>December 31, 2008</u> |                    |                    | <u>December 31, 2007</u> |                    |                   |
|--|--------------------------|--------------------|--------------------|--------------------------|--------------------|-------------------|
|  | <u>Sewer</u>             | <u>Solid Waste</u> | <u>Total</u>       | <u>Sewer</u>             | <u>Solid Waste</u> | <u>Total</u>      |
| <b><u>Bond Service Fund</u></b>            |                          |                    |                    |                          |                    |                   |
| Required Balances                          | \$ 455,886               | \$ 450,195         | \$ 906,081         | \$ 456,347               | \$ 364,849         | \$ 821,196        |
| Cash and Investments                       | 415,886                  | 455,101            | 870,987            | 530,109                  | 365,625            | 895,734           |
| Excess or (Deficit)                        | <u>\$ (40,000)</u>       | <u>\$ 4,906</u>    | <u>\$ (35,094)</u> | <u>\$ 73,762</u>         | <u>\$ 776</u>      | <u>\$ 74,538</u>  |
| <b><u>Bond Reserve Fund</u></b>            |                          |                    |                    |                          |                    |                   |
| Required Balances                          | \$ 914,073               | \$ 1,449,650       | \$ 2,363,723       | \$ 914,073               | \$ 1,449,650       | \$ 2,363,723      |
| Cash and Investments                       | 921,078                  | 1,457,463          | 2,378,541          | 921,077                  | 1,456,762          | 2,377,839         |
| Excess or (Deficit)                        | <u>\$ 7,005</u>          | <u>\$ 7,813</u>    | <u>\$ 14,818</u>   | <u>\$ 7,004</u>          | <u>\$ 7,112</u>    | <u>\$ 14,116</u>  |
| <b><u>Renewal and Replacement Fund</u></b> |                          |                    |                    |                          |                    |                   |
| Required Balances                          | \$ 2,156,097             | \$ 1,891,000       | \$ 4,047,097       | \$ 3,506,942             | \$ 606,000         | \$ 4,112,942      |
| Cash and Investments                       | 2,156,097                | 1,891,000          | 4,047,097          | 3,506,942                | 771,906            | 4,278,848         |
| Excess or (Deficit)                        | <u>\$ -</u>              | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>              | <u>\$ 165,906</u>  | <u>\$ 165,906</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 system 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 for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

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

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



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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, 2006, 20 percent; for payments due in the State fiscal year ending June 30, 2007, 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, 2008 AND 2007**

**NOTE 15 OTHER INFORMATION (Continued)**

**A. Employee Retirement System and Pension Plan (Continued)**

**Significant Legislation (Continued)**

Chapter 92, P.L. 2007 implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform which establishes a DCRP for elected and certain appointed officials, effective July 1, 2007.

**Employer and Employee Pension Contributions**

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 5.5% for PERS and DCRP of the employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate, except for the DCRP. 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 certain participating local governments. In the DCRP, member contributions are matched by a 3% employer contribution.

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. For the DCRP which is a defined contribution plan, annual pension cost equals annual required contributions.

During the years ended December 31, 2008, 2007 and 2006, the Authority was required to contribute for normal cost pension contributions the following amounts:

| <u>Year Ending</u><br><u>December 31</u> | <u>PERS</u> | <u>DCRP</u> |
|--|-------------|-------------|
| 2008                                     | \$249,911   | None        |
| 2007                                     | 138,770     | None        |
| 2006                                     | 72,982      | 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.

**Pending Litigation** -- On March 25, 2009 a complaint in Lieu of Prerogative Writs was filed by a City property owner against the Authority. The property owner is a resident of the City of Plainfield and filed the Complaint "pro se". The individual is challenging the legality of certain rates charged by the Authority for solid waste and sewerage services and is also challenging certain procedures of the Authority. The individual is seeking to void these rates and seeks a refund of the fees paid. On April 14, 2009, the Complaint was Amended to reflect the addition of two additional plaintiffs, one the wife of said individual and the second a property owner in the City. The Complaint also added additional counts which further addressed the rates and procedures. An Answer will be filed on behalf of the Authority within the required response period and then discovery will commence. In the opinion of the Authority's general counsel it is not possible to ascertain a possible outcome in this early stage in the case.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 15 OTHER INFORMATION (Continued)**

**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.

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.

**D. Post-Retirement Medical Benefits**

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

**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, 2008 and 2007, the Authority had no estimated arbitrage earnings due to the IRS.

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## **SUPPLEMENTARY SCHEDULES**

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF NET ASSETS**  
**AS OF DECEMBER 31, 2008**

|   | Sewer        | Solid Waste  | Total        |
|---|--------------|--------------|--------------|
| <b>ASSETS</b>   |              |              |              |
| Unrestricted Current Assets                                 |              |              |              |
| Cash  | \$ 1,840,537 | \$ (680,547) | \$ 1,159,990 |
| Accounts Receivable - (net of allowance for uncollectibles) | 2,459,764    | 2,218,595    | 4,678,359    |
| Other Receivables   | 2,016        | 2,016        | 4,032        |
| Prepaid Items   | 4,133        | 3,875        | 8,008        |
| Other Assets  | 12,060       | 12,060       | 24,120       |
| Total Unrestricted Current Assets                           | 4,318,510    | 1,555,999    | 5,874,509    |
| Restricted Current Assets                                   |              |              |              |
| Revenue Account   |              |              |              |
| Cash Equivalents  | 1,019        |              | 1,019        |
| General Fund Account  |              |              |              |
| Cash Equivalents  | 39,500       | 58,775       | 98,275       |
| Developers Escrow Account                                   |              |              |              |
| Cash  | 34,490       |              | 34,490       |
| Bond Service Account  |              |              |              |
| Cash Equivalents  | 415,886      | 455,101      | 870,987      |
| Bond Reserve Account  |              |              |              |
| Cash Equivalents  | 921,078      | 1,457,436    | 2,378,514    |
| Bond Construction Account                                   |              |              |              |
| Cash Equivalents  | 842,259      |              | 842,259      |
| Revenue Bond Cost of Issuance Account                       |              |              |              |
| Cash Equivalents  |              | 115          | 115          |
| Renewal and Replacement Account                             |              |              |              |
| Cash Equivalents  | 2,156,097    | 1,891,000    | 4,047,097    |
| Total Restricted Current Assets                             | 4,410,329    | 3,862,427    | 8,272,756    |
| Total Current Assets  | 8,728,839    | 5,418,426    | 14,147,265   |
| Noncurrent Assets   |              |              |              |
| Deferred Charges  |              |              |              |
| Debt Issuance Costs (net of amortization)                   | 198,447      | 341,899      | 540,346      |
| Capital Assets  |              |              |              |
| Land  | 1,161,085    | 24,110       | 1,185,195    |
| Land Improvements   | 37,087       | 5,937        | 43,024       |
| Buildings and Building Improvements                         | 476,316      | 246,449      | 722,765      |
| Leasehold Improvements                                      | 2,327,499    | 5,865,306    | 8,192,805    |
| Property and Equipment                                      | 1,782,521    | 5,756,376    | 7,538,897    |
| Construction in Progress                                    | 1,097,422    | 166,360      | 1,263,782    |
| Accumulated Depreciation                                    | (2,226,458)  | (4,656,806)  | (6,883,264)  |
| Total Capital Assets (Net of accumulated depreciation)      | 4,655,472    | 7,407,732    | 12,063,204   |
| Total Noncurrent Assets                                     | 4,853,919    | 7,749,631    | 12,603,550   |
| Total Assets  | 13,582,758   | 13,168,057   | 26,750,815   |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF NET ASSETS**  
**AS OF DECEMBER 31, 2008**

|  | Sewer               | Solid<br>Waste        | Total               |
|--|---------------------|-----------------------|---------------------|
| <b>LIABILITIES</b>   |                     |                       |                     |
| Current Liabilities (Payable from Unrestricted Assets)     |                     |                       |                     |
| Accounts Payable   | \$ 230,780          | \$ 871,280            | \$ 1,102,060        |
| Capital Lease Payable                                      |                     | 33,496                | 33,496              |
| Accrued Expenses   | 17,664              | 16,726                | 34,390              |
| Accrued Salary and Related Benefits                        | 53,070              | 83,465                | 136,535             |
| Accrued Interest Payable                                   |                     | 4,662                 | 4,662               |
| Accrued Compensated Absences                               | 9,197               | 12,948                | 22,145              |
| Unearned Revenue   | 51,089              |                       | 51,089              |
| Other Liabilities - Overpayments                           | 21,217              | 16,637                | 37,854              |
| Total Current Liabilities Payable from Unrestricted Assets | <u>383,017</u>      | <u>1,039,214</u>      | <u>1,422,231</u>    |
| Current Liabilities (Payable from Restricted Assets)       |                     |                       |                     |
| Accounts Payable   | 42,783              |                       | 42,783              |
| Revenue Bonds Payable                                      | 505,000             | 413,698               | 918,698             |
| Accrued Interest on Bonds                                  | 31,564              | 52,700                | 84,264              |
| Escrow Deposits Payable                                    | 32,955              |                       | 32,955              |
| Total Current Liabilities Payable from Restricted Assets   | <u>612,302</u>      | <u>466,398</u>        | <u>1,078,700</u>    |
| Total Current Liabilities                                  | <u>995,319</u>      | <u>1,505,612</u>      | <u>2,500,931</u>    |
| Non-Current Liabilities                                    |                     |                       |                     |
| Revenue Bonds Payable (net of unamortized discounts)       | 8,011,362           | 12,757,439            | 20,768,801          |
| Capital Lease Payable                                      |                     | 71,929                | 71,929              |
| Accrued Compensated Absences                               | 82,771              | 116,530               | 199,301             |
| Unearned Revenue   | 102,176             |                       | 102,176             |
| Total Non-Current Liabilities                              | <u>8,196,309</u>    | <u>12,945,898</u>     | <u>21,142,207</u>   |
| Total Liabilities  | <u>9,191,628</u>    | <u>14,451,510</u>     | <u>23,643,138</u>   |
| <b>NET ASSETS</b>  |                     |                       |                     |
| Invested in Capital Assets, net of related debt            | (1,221,073)         | (3,016,231)           | (4,237,304)         |
| Restricted For:  |                     |                       |                     |
| Debt Service   | 424,322             | 397,495               | 821,817             |
| Renewal and Replacement                                    | 2,156,097           | 1,891,000             | 4,047,097           |
| Unrestricted   | 3,031,784           | (555,717)             | 2,476,067           |
| Total Net Assets   | <u>\$ 4,391,130</u> | <u>\$ (1,283,453)</u> | <u>\$ 3,107,677</u> |

## SCHEDULE 2

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

|  | <u>Sewer</u>     | <u>Solid<br/>Waste</u> | <u>Total</u>       |
|--|------------------|------------------------|--------------------|
| <b>OPERATING REVENUES</b>                |                  |                        |                    |
| Sewer Fees                               | \$ 9,326,320     |                        | \$ 9,326,320       |
| Solid Waste Fees                         |                  | \$ 8,054,625           | 8,054,625          |
| Municipal Solid Waste Contribution       |                  | 1,200,000              | 1,200,000          |
| Interest on Delinquent Balances          | 208,602          | 155,975                | 364,577            |
| Miscellaneous                            | 128,669          | 634,085                | 762,754            |
| Total Operating Revenues                 | <u>9,663,591</u> | <u>10,044,685</u>      | <u>19,708,276</u>  |
| <b>OPERATING EXPENSES</b>                |                  |                        |                    |
| Administration                           |                  |                        |                    |
| Board of Commissioners                   | 76,824           | 100,398                | 177,222            |
| Administrative and Executive             | 580,012          | 578,813                | 1,158,825          |
| Finance and Accounting                   | 590,180          | 595,726                | 1,185,906          |
| Customer Service                         | 360,634          | 365,914                | 726,548            |
| Public Information                       | 130,163          | 132,906                | 263,069            |
| Information Technology                   | 191,623          | 191,527                | 383,150            |
| Human Resources                          | 275,536          | 279,251                | 554,787            |
| Cost of Providing Services               |                  |                        |                    |
| Central Services                         | 1,157,278        | 1,176,745              | 2,334,023          |
| Sewer Operations                         | 5,105,683        |                        | 5,105,683          |
| Solid Waste Collection and Disposal      |                  | 3,976,735              | 3,976,735          |
| Bulky Waste Pick-Up                      |                  | 771,044                | 771,044            |
| Transfer Station                         |                  | 1,473,101              | 1,473,101          |
| Public Can and Street Maintenance        |                  | 135,424                | 135,424            |
| Depreciation                             | 140,627          | 742,035                | 882,662            |
| Total Operating Expenses                 | <u>8,608,560</u> | <u>10,519,619</u>      | <u>19,128,179</u>  |
| <b>OPERATING INCOME (LOSS)</b>           | <u>1,055,031</u> | <u>(474,934)</u>       | <u>580,097</u>     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                  |                        |                    |
| Interest Income                          | 125,604          | 40,931                 | 166,535            |
| Interest Expenses                        | (442,475)        | (637,208)              | (1,079,683)        |
| Amortization of Costs of Issuance        | (24,872)         | (33,176)               | (58,048)           |
| Intergovernmental Grants                 |                  | 42,891                 | 42,891             |
| Bad Debt Expense                         | (48,374)         | (60,455)               | (108,829)          |
| Total Non-Operating Income (Expenses)    | <u>(390,117)</u> | <u>(647,017)</u>       | <u>(1,037,134)</u> |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>    | 664,914          | (1,121,951)            | (457,037)          |
| Transfers In                             |                  | 1,500,000              | 1,500,000          |
| Transfers Out                            | (1,500,000)      |                        | (1,500,000)        |
| <b>CHANGE IN NET ASSETS</b>              | <u>(835,086)</u> | <u>378,049</u>         | <u>(457,037)</u>   |
| Total Net Assets, Beginning of Year      | 5,226,216        | (1,661,502)            | 3,564,714          |
| Total Net Assets, End of Year            | \$ 4,391,130     | \$ (1,283,453)         | \$ 3,107,677       |



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

|  | <u>Sewer</u>        | <u>Solid<br/>Waste</u> | <u>Total</u>        |
|--|---------------------|------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                     |                        |                     |
| Cash Received from Customers                                     | \$ 9,714,758        | \$ 8,538,558           | \$ 18,253,316       |
| Cash Received from Municipality                                  |                     | 1,200,000              | 1,200,000           |
| Cash Paid to Suppliers   | (6,045,354)         | (6,074,086)            | (12,119,440)        |
| Cash Paid to Employees   | (2,303,006)         | (3,676,780)            | (5,979,786)         |
| Net Cash Provided by (Used for) Operating Activities             | <u>1,366,398</u>    | <u>(12,308)</u>        | <u>1,354,090</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>           |                     |                        |                     |
| Proceeds from Intergovernmental Grants                           |                     | 42,891                 | 42,891              |
| Proceeds (Uses) from Escrow Deposits                             | (2,000)             |                        | (2,000)             |
| Transfers To (From) Funds  | <u>(1,500,000)</u>  | <u>1,500,000</u>       | <u>-</u>            |
| Net Cash Provided by (Used For) Non-Capital Financing Activities | <u>(1,502,000)</u>  | <u>1,542,891</u>       | <u>40,891</u>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                     |                        |                     |
| Principal Payment on Bonds                                       | (480,000)           | (368,950)              | (848,950)           |
| Principal Payment on Capital Leases                              |                     | (31,952)               | (31,952)            |
| Acquisition of Fixed Assets                                      | (301,805)           | (823,693)              | (1,125,498)         |
| Payment of Debt Issuance Costs                                   |                     |                        | -                   |
| Interest Paid on Bonds   | (432,693)           | (506,338)              | (939,031)           |
| Interest Paid on Capital Leases                                  |                     | (6,641)                | (6,641)             |
| Net Cash (Used for) Capital and Related Financing Activities     | <u>(1,214,498)</u>  | <u>(1,737,574)</u>     | <u>(2,952,072)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                     |                        |                     |
| Interest Received  | <u>125,604</u>      | <u>40,931</u>          | <u>166,535</u>      |
| Net Cash Provided by Investing Activities                        | <u>125,604</u>      | <u>40,931</u>          | <u>166,535</u>      |
| Net (Decrease) in Cash and Cash Equivalents                      | <u>(1,224,496)</u>  | <u>(166,060)</u>       | <u>(1,390,556)</u>  |
| Cash and Cash Equivalents, January 1, 2008                       | <u>7,475,362</u>    | <u>3,347,940</u>       | <u>10,823,302</u>   |
| Cash and Cash Equivalents, December 31, 2008                     | <u>\$ 6,250,866</u> | <u>\$ 3,181,880</u>    | <u>\$ 9,432,746</u> |
| <b>ANALYSIS OF BALANCE AT DECEMBER 31, 2008</b>                  |                     |                        |                     |
| Unrestricted - Cash and Cash Equivalents                         | \$ 1,840,537        | \$ (680,547)           | \$ 1,159,990        |
| Restricted - Cash and Cash Equivalents                           | <u>4,410,329</u>    | <u>3,862,427</u>       | <u>8,272,756</u>    |
|  | <u>\$ 6,250,866</u> | <u>\$ 3,181,880</u>    | <u>\$ 9,432,746</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

|   | <u>Sewer</u>        | <u>Solid<br/>Waste</u> | <u>Total</u>        |
|---|---------------------|------------------------|---------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash</b>        |                     |                        |                     |
| <b>Provided by Operating Activities:</b>                            |                     |                        |                     |
| Operating Income (Loss)   | \$ 1,055,031        | \$ (474,934)           | \$ 580,097          |
| <b>Adjustments to Reconcile Operating Income (Loss) to Net Cash</b> |                     |                        |                     |
| <b>Provided by Operating Activities:</b>                            |                     |                        |                     |
| Provision for Uncollectible Accounts                                | (48,374)            | (60,455)               | (108,829)           |
| Depreciation  | 140,627             | 742,035                | 882,662             |
| (Increase)/Decrease in Accounts Receivable                          | (12,378)            | (240,941)              | (253,319)           |
| (Increase)/Decrease in Other Receivables                            | (2,016)             | (2,016)                | (4,032)             |
| (Increase)/Decrease in Prepaid Items                                | (318)               | 11,463                 | 11,145              |
| Increase/(Decrease) in Accounts Payable                             | 92,112              | 13,989                 | 106,101             |
| Increase/(Decrease) in Accrued Expenses                             | 4,658               | 3,997                  | 8,655               |
| Increase/(Decrease) in Accrued Salary and Related Benefits          | 27,142              | 40,509                 | 67,651              |
| Increase/(Decrease) in Accrued Compensated Absences                 | (2,005)             | (41,224)               | (43,229)            |
| Increase/(Decrease) in Unearned Revenue                             | 153,265             |                        | 153,265             |
| Increase/(Decrease) in Other Liabilities                            | (41,346)            | (4,731)                | (46,077)            |
| <b>Total Adjustments</b>  | <u>311,367</u>      | <u>462,626</u>         | <u>773,993</u>      |
| <b>Net Cash Provided by (Used for) Operating Activities</b>         | <u>\$ 1,366,398</u> | <u>\$ (12,308)</u>     | <u>\$ 1,354,090</u> |
| <b>Noncash Investing, Capital and Financing Activities:</b>         |                     |                        |                     |
| Purchase of Capital Assets on Account                               | \$ 52,018           | \$ 77,689              | \$ 129,707          |
| Accretion of Capital Appreciation Bonds                             |                     | 121,911                | 121,911             |
| Original Issue Discount   | 11,330              | 9,244                  | 20,574              |
| Original Issue Premium  |                     | (4,260)                | (4,260)             |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SEWER**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2007)

|   | 2008<br>Modified<br>Budget | 2008<br>Actual    | Variance<br>Excess<br>(Deficit) | 2007<br>Actual    |
|---|----------------------------|-------------------|---------------------------------|-------------------|
| <b>OPERATING REVENUES</b>                       |                            |                   |                                 |                   |
| Service Charges                                 | \$ 9,408,595               | \$ 9,326,320      | \$ (82,275)                     | \$ 9,027,424      |
| Interest on Delinquent Accounts                 | 175,000                    | 208,602           | 33,602                          | 187,782           |
| Miscellaneous Fees                              |                            | 128,669           | 128,669                         | 51,230            |
| <b>Total Operating Revenues</b>                 | <u>9,583,595</u>           | <u>9,663,591</u>  | <u>79,996</u>                   | <u>9,266,436</u>  |
| <b>NON-OPERATING REVENUES</b>                   |                            |                   |                                 |                   |
| Interest on Investments                         | 200,000                    | 125,604           | (74,396)                        | 306,907           |
| <b>Total Non-Operating Revenues</b>             | <u>200,000</u>             | <u>125,604</u>    | <u>(74,396)</u>                 | <u>306,907</u>    |
| <b>UNRESTRICTED NET ASSETS UTILIZED</b>         |                            |                   |                                 |                   |
| <b>Total Sewer Revenues</b>                     | <u>\$ 9,783,595</u>        | <u>9,789,195</u>  | <u>\$ 5,600</u>                 | <u>9,573,343</u>  |
| <b>OPERATING APPROPRIATIONS</b>                 |                            |                   |                                 |                   |
| <b>ADMINISTRATION</b>                           |                            |                   |                                 |                   |
| Salaries and Wages                              | \$ 1,132,604               | 1,132,076         | \$ 528                          | 1,011,996         |
| Fringe Benefits                                 | 408,359                    | 405,980           | 2,379                           | 370,358           |
| Other Expenses                                  | 584,039                    | 666,916           | (82,877)                        | 538,532           |
| <b>Total Administration</b>                     | <u>2,125,002</u>           | <u>2,204,972</u>  | <u>(79,970)</u>                 | <u>1,920,886</u>  |
| <b>COST OF PROVIDING SERVICES</b>               |                            |                   |                                 |                   |
| Salaries and Wages                              | 1,194,474                  | 1,196,069         | (1,595)                         | 978,980           |
| Fringe Benefits                                 | 520,850                    | 519,852           | 998                             | 426,287           |
| Other Expenses                                  | 4,550,858                  | 4,547,040         | 3,818                           | 4,367,819         |
| <b>Total Cost of Providing Services</b>         | <u>6,266,182</u>           | <u>6,262,961</u>  | <u>3,221</u>                    | <u>5,773,086</u>  |
| <b>NON-OPERATING APPROPRIATIONS</b>             |                            |                   |                                 |                   |
| Interest Payments on Debt                       | 432,693                    | 432,693           |                                 | 457,172           |
| Principal Payments on Debt                      | 480,000                    | 480,000           |                                 | 460,000           |
| Renewal and Replacement Reserves                | 212,218                    | 149,155           | 63,063                          | 144,942           |
| Other Reserves                                  | 225,000                    | 48,374            | 176,626                         | 26,557            |
| <b>Total Non-Operating Appropriations</b>       | <u>1,349,911</u>           | <u>1,110,222</u>  | <u>239,689</u>                  | <u>1,088,671</u>  |
| <b>CAPITAL OUTLAY</b>                           | <u>42,500</u>              | <u>35,631</u>     | <u>6,869</u>                    | <u>25,158</u>     |
| <b>Total Appropriations</b>                     | <u>\$ 9,783,595</u>        | <u>9,613,786</u>  | <u>\$ 169,809</u>               | <u>8,807,801</u>  |
| <b>Total Budgetary Income (Balance forward)</b> |                            | <u>\$ 175,409</u> |                                 | <u>\$ 765,542</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SEWER**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2007)

|  | 2008<br>Modified<br>Budget | 2008<br>Actual      | Variance<br>Excess<br>(Deficit) | 2007<br>Actual      |
|--|----------------------------|---------------------|---------------------------------|---------------------|
| Total Budgetary Income (Brought forward)                                     | \$ -                       | \$ 175,409          | \$ -                            | \$ 765,542          |
| <b>Reconciliation of Budgetary Income to<br/>Change in Net Assets - GAAP</b> |                            |                     |                                 |                     |
| Increases to Budgetary Income:   |                            |                     |                                 |                     |
| Reserve for Renewal & Replacement Budgetary Charge                           |                            | 149,155             |                                 | 144,942             |
| Principal Paid on Bonds Payable  |                            | 480,000             |                                 | 460,000             |
| Accrued Interest on Bonds Payable - Net                                      |                            | 1,548               |                                 | 1,433               |
| Capital Outlay Budgetary Charge  |                            | 35,631              |                                 | 25,158              |
| Decreases to Budgetary Income:   |                            |                     |                                 |                     |
| Amortization of Debt Issuance Costs  |                            | (24,872)            |                                 | (24,871)            |
| Interest Expense - Original Issue Discount                                   |                            | (11,330)            |                                 | (11,330)            |
| Depreciation   |                            | (140,627)           |                                 | (161,233)           |
| Transfers Out - Solid Waste System   |                            | (1,500,000)         |                                 | -                   |
| <b>Changes in Net Assets - GAAP</b>  |                            | <u>\$ (835,086)</u> |                                 | <u>\$ 1,199,641</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SOLID WASTE**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2007)

|  | 2008<br>Modified<br>Budget | 2008<br>Actual    | Variance<br>Excess (Deficit) | 2007<br>Actual    |
|--|----------------------------|-------------------|------------------------------|-------------------|
| <b>OPERATING REVENUES</b>                              |                            |                   |                              |                   |
| Service Charges  | \$ 8,036,712               | \$ 8,054,625      | \$ 17,913                    | \$ 7,356,284      |
| Municipal Solid Waste Contribution                     | 1,200,000                  | 1,200,000         |                              | 1,200,000         |
| Interest on Delinquent Accounts                        | 125,000                    | 155,975           | 30,975                       | 126,704           |
| Miscellaneous Fees                                     | 735,000                    | 634,085           | (100,915)                    | 606,240           |
| <b>Total Operating Revenues</b>                        | <b>10,096,712</b>          | <b>10,044,685</b> | <b>(52,027)</b>              | <b>9,289,228</b>  |
| <b>NON-OPERATING REVENUES</b>                          |                            |                   |                              |                   |
| Interest on Investments                                | 150,000                    | 40,931            | (109,069)                    | 171,497           |
| Intergovernmental Grant                                | 38,972                     | 42,891            | 3,919                        | 55,129            |
| Reserve for Renewal and Replacement                    | 215,000                    | 215,000           |                              | 528,993           |
| <b>Total Non-Operating Revenues</b>                    | <b>403,972</b>             | <b>298,822</b>    | <b>(105,150)</b>             | <b>755,619</b>    |
| <b>UNRESTRICTED NET ASSETS UTILIZED</b>                | <b>525,000</b>             | <b>525,000</b>    |                              | <b>102,273</b>    |
| <b>Total Solid Waste Revenues</b>                      | <b>11,025,684</b>          | <b>10,868,507</b> | <b>(157,177)</b>             | <b>10,147,120</b> |
| <b>OPERATING APPROPRIATIONS</b>                        |                            |                   |                              |                   |
| <b>ADMINISTRATION</b>                                  |                            |                   |                              |                   |
| Salaries and Wages                                     | 1,123,903                  | 1,123,415         | 488                          | 1,011,980         |
| Fringe Benefits  | 408,359                    | 406,065           | 2,294                        | 370,358           |
| Other Expenses   | 626,489                    | 715,055           | (88,566)                     | 558,481           |
| <b>Total Administration</b>                            | <b>2,158,751</b>           | <b>2,244,535</b>  | <b>(85,784)</b>              | <b>1,940,819</b>  |
| <b>COST OF PROVIDING SERVICES</b>                      |                            |                   |                              |                   |
| Salaries and Wages                                     | 2,550,294                  | 2,552,653         | (2,359)                      | 2,140,231         |
| Fringe Benefits  | 1,046,857                  | 1,043,672         | 3,185                        | 928,152           |
| Other Expenses   | 3,996,201                  | 3,936,724         | 59,477                       | 3,511,685         |
| <b>Total Cost of Providing Services</b>                | <b>7,593,352</b>           | <b>7,533,049</b>  | <b>60,303</b>                | <b>6,580,068</b>  |
| <b>NON-OPERATING APPROPRIATIONS</b>                    |                            |                   |                              |                   |
| Principal Payment on Debt                              | 407,543                    | 400,902           | 6,641                        | 275,478           |
| Interest Payment on Debt                               | 506,338                    | 512,979           | (6,641)                      | 426,544           |
| Other Reserves   | 100,000                    | 60,455            | 39,545                       | 157,402           |
| <b>Total Non-Operating Appropriations</b>              | <b>1,013,881</b>           | <b>974,336</b>    | <b>39,545</b>                | <b>859,424</b>    |
| <b>CAPITAL OUTLAY</b>                                  | <b>259,700</b>             | <b>276,115</b>    | <b>(16,415)</b>              | <b>679,981</b>    |
| <b>Total Appropriations</b>                            | <b>11,025,684</b>          | <b>11,028,035</b> | <b>(2,351)</b>               | <b>10,060,292</b> |
| <b>Total Budgetary Income (Loss) (Balance Forward)</b> |                            | <b>(159,528)</b>  |                              | <b>86,828</b>     |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SOLID WASTE**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Year Ended December 31, 2007)**

|  | 2008<br>Modified<br>Budget | 2008<br>Actual | Variance<br>Excess<br>(Deficit) | 2007<br>Actual |
|--|----------------------------|----------------|---------------------------------|----------------|
| Total Budgetary Income (Loss) (Brought forward)                              |                            | \$ (159,528)   |                                 | \$ 86,328      |
| <b>Reconciliation of Budgetary Income to<br/>Change in Net Assets - GAAP</b> |                            |                |                                 |                |
| Increases to Budgetary Income (Loss):  |                            |                |                                 |                |
| Reserve for Debt Service Budgetary Charge                                    |                            |                |                                 | 102,273        |
| Principal Paid on Bonds Payable  |                            | 368,950        |                                 | 345,000        |
| Principal Paid on Capital Leases   |                            | 31,952         |                                 | 30,478         |
| Interest Expense - Original Issue Premium                                    |                            | 4,260          |                                 | 3,194          |
| Accrued Interest on Bonds Payable - Net                                      |                            | 2,666          |                                 |                |
| Capital Outlay Budgetary Charge  |                            | 276,115        |                                 | 679,981        |
| Transfers In - Sewer System  |                            | 1,500,000      |                                 |                |
| Decreases to Budgetary Income (Loss):  |                            |                |                                 |                |
| Amortization of Debt Issuance Costs  |                            | (33,176)       |                                 | (32,191)       |
| Interest Expense - Capital Appreciation Bonds                                |                            | (121,911)      |                                 | (115,880)      |
| Interest Expense - Original Issue Discount                                   |                            | (9,244)        |                                 | (9,244)        |
| Accrued Interest Payable - Net   |                            |                |                                 | (6,575)        |
| Depreciation   |                            | (742,935)      |                                 | (378,474)      |
| Renewal & Replacement Reserve Realized                                       |                            |                |                                 |                |
| as Budget Revenue  |                            | (215,000)      |                                 | (528,993)      |
| Unrestricted Net Assets Realized as Budget Revenue                           |                            | (525,000)      |                                 | (102,273)      |
| Changes in Net Assets - GAAP   |                            | \$ 378,049     |                                 | \$ (25,876)    |

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2008

Authority Board Members

|                           | <u>Position</u>  |
|---------------------------|------------------|
| Carol Ann Brokaw, Esq.    | Chairperson      |
| Harold Mitchell           | Vice Chairperson |
| David M. Beck             | Treasurer        |
| Alex Toliver              | Secretary        |
| James C. Green            | Commissioner     |
| Eugene Dudley (Alternate) | Commissioner     |
| Rev. Tracey L. Brown      | Commissioner     |

Authority Executive Staff

|                |   |
|----------------|---|
| Eric C. Watson | Executive Director  |
| David W. Ervin | Assistant Executive Director                                  |
| James R. Perry | Chief Financial Officer &<br>Director of Financial Operations |
| Louis E. Jones | Chief of Procurement  |
| 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  
AND  
SCHEDULE OF FINDINGS AND RESPONSES**



# LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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DONNA L. JAPRET, CPA, PSA  
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ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA  
DEBRA COLLE, CPA  
CINDY JAMACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA

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

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

We have audited the financial statements of the Plainfield Municipal Utilities Authority as of and for the year ended December 31, 2008, and have issued our report thereon dated May 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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 2008-1 and 2008-2 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 item 2008-2 to be a material weakness.

#### 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 items 2008-1 through 2008-3.

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.

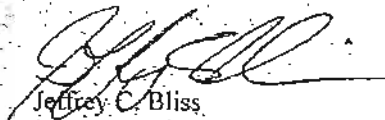
This report is intended solely for the information and use of the Plainfield Municipal Utilities Authority board members, management and the New Jersey State Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.

*Lercii, Vinci & Higgins, LLP*

LERCII, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants



Jeffrey C. Bliss

Registered Municipal Accountant

RMA Number CR00429

Fair Lawn, New Jersey  
May 7, 2009

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Finding 08-1:**

Our audit revealed that tire purchases and employee training 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 the purchase of tires and employee training services which exceeded the bid threshold where no evidence of public bidding existed.

**Cause:**

Payments for tires totaling approximately \$73,000 and approximately \$79,000 to two vendors for employee training services which exceeded the bid threshold.

**Effect:**

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

**Recommendation:**

Bids be publicly advertised for tire purchases and employee training services which exceed the bid threshold.

**Response:**

Management has accepted the finding and corrective action will be put in place.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Finding 08-2:**

Payments to certain vendors exceeded the amount approved by the Authority in "not to exceed" contracts.

**Criteria:**

Local Public Contracts Law.

**Condition:**

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

**Cause:**

Payments to vendors exceeded the maximum amounts approved in the contract by the Board.

**Effect:**

Funds may not be available to finance expenses in excess of approved contract maximums.

**Recommendation:**

Internal control procedures be enhanced to monitor "not to exceed" contracts to ensure appropriate Board action is taken to amend contract maximums in a timely manner.

**Response:**

Management has accepted the finding and corrective action will be put in place.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Finding 08-3:**

The Bond Service Account cash balance for the sewer system was below the minimum requirement at December 31, 2008.

**Criteria:**

Bond Resolutions.

**Condition:**

The required reserve funds for the sewer system were not transferred by the Authority's Bond Trustee from the Authority's General Fund Account to the Revenue Bond Debt Service Account as of December 31, resulting in a deficiency of \$40,000. These funds were subsequently transferred after December 31 to the Bond Debt Service Account by the Trustee to meet the minimum requirement in accordance with the bond resolution.

**Cause:**

As of December 31, 2008 the sewer systems Revenue Bond Debt Service Account cash requirement of \$456,000 was under funded in the amount of \$40,000.

**Effect:**

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

**Recommendation:**

Since the Authority's Sewer Bond Trustee transferred the required funds into the Revenue Bond Debt Service Accounts in accordance with the requirements of the bond resolution subsequent to December 31, 2008, no recommendation is deemed warranted. Corrective action was taken.

**Response:**

Management agrees with the finding and has notified the sewer Bond Trustee to complete the required transfer at the December 1 transfer date to ensure the Bond Service requirement is funded at December 31.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 07-1:**

**Condition:**

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

**Current Status**

See Finding 2003-1.

**Finding 07-2:**

**Condition:**

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

**Current Status:**

See Finding 2008-2.

## GENERAL COMMENTS AND RECOMMENDATIONS



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
GENERAL COMMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Prior Year Findings:**

Our audit revealed certain contract awards and payments exceeded fifteen percent (15%) of the bid threshold which were not accompanied by quotes. It is recommended that all contract awards and payments which exceed fifteen percent (15%) of the bid threshold be accompanied by quotes.

**Current Year Findings:**

Our audit revealed a professional service contract was awarded for labor counsel which was not approved by board resolution or advertised in the Authority's official newspaper. It is recommended that professional service contract awards for labor counsel be formally approved by board resolution and advertised in accordance with the Local Public Contracts Law.

Our audit revealed the 2008 approved sewer rates and fees were not formally memorialized in the sanitary sewer rules and regulations. It is recommended that approved sewer rates and fees be formally memorialized in the sanitary sewer rules and regulations.

Our audit of the Capital Assets revealed costs remaining in construction in progress for the Sewer Operational Facility, Rock Avenue Pump Station and Transfer Station Expansion. It is recommended that a review be performed of project costs in construction in progress related to the Sewer Operational Facility, Rock Avenue Pump Station and Transfer Station Expansion and determination be made to their proper classification.

Our audit of the container inventory revealed several gaps in the numerical sequence for the containers listed. In addition, we noted the container inventory is not verified against customer billing records. It is recommended that the container inventory be updated monthly and verified to billing records to ensure that all containers are properly billed and accounted for.

Our audit of payroll revealed that the approved executive staff employment contracts were not formally executed. Also, the personnel records don't always agree with certain time regarding accrued vacation/sick and personal time. It is recommended that the Authority executive staff employment contracts be executed and a review be made to ensure personnel records properly reflect the terms of compensation.

Our audit of employee travel allowances revealed that expense reports and supporting documentation related to travel reimbursements were not completed and submitted in accordance with the approved travel guidelines. It is recommended that reimbursement expense reports and supporting documentation related to travel reimbursements be completed and submitted for all travel allowances in accordance with the approved travel guidelines.

**Suggestions to Management**

- A review be made of capital assets, specifically equipment, to determine old and obsolete equipment which should be removed from the capital asset inventory.
- A review be made of the automated employee time card reporting system to ensure that employee hours are calculated accurately and reported consistently.
- Implement a formal preapproval document for employee's official business travel.



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
GENERAL COMMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Appreciation

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

## PLAINFIELD MUNICIPAL UTILITIES AUTHORITY

### RECOMMENDATIONS

It is recommended that:

#### Purchasing:

- \* 1. Bids be publicly advertised for tire purchases and employee training services which exceed the bid threshold.
- \* 2. Internal control procedures be enhanced to monitor "not to exceed" contracts to ensure appropriate Board action is taken to amend contract maximums in a timely manner.
- \* 3. All contract awards and payments which exceed fifteen percent (15%) of the bid threshold be accompanied by quotes.
- 4. Professional service contract awards for labor counsel be formally approved by board resolution and advertised in accordance with the Local Public Contracts Law.

#### Accounting and Financial Reporting

- 5. Approved sewer rates and fees be formally memorialized in the sanitary sewer rules and regulations.
- 6. A review be performed of project costs in construction in progress related to the Sewer Operational Facility, Rock Avenue Pump Station and Transfer Station Expansion and determination be made to their proper classification.
- 7. The container inventory be updated monthly and verified to billing records to ensure that all containers are properly billed and accounted for.

#### Payroll:

- 8. The Authority executive staff employment contracts be executed and a review be made to ensure personnel records properly reflect the terms of compensation.

#### Other:

- 9. Reimbursement expense reports and supporting documentation related to travel reimbursements be completed and submitted for all travel allowances in accordance with the approved travel guidelines.

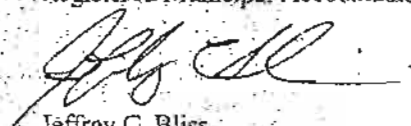
A review was performed on all prior year recommendations. Corrective action was taken on all prior year recommendations except those denoted with an asterisk.

\* \* \* \* \*

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

*LERCH, VINCI & HIGGINS, LLP*

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