

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**REPORT OF AUDIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
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# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JOSEPH F. KELLY, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Plainfield Municipal Utilities Authority, a component unit of the City of Plainfield, as of and for the years ended December 31, 2005 and 2004, 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 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, 2005 and 2004, and the changes in financial position and 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 March 29, 2006 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

  
Jeffrey C. Bliss  
Registered Municipal Accountant  
RMA Number CR00429

Fair Lawn, New Jersey  
March 29, 2006

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

# ***PLAINFIELD MUNICIPAL UTILITIES AUTHORITY***

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2005***

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, 2005. Please read it in conjunction with the Authority's financial statements and accompanying notes.

**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 ten 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, 2005 by \$2,136,698.
- The Authority's total net assets increased \$600,755 (39%).
- Cash and Equivalent Investments decreased \$295,141 (2%).
- Long-term liabilities decreased by \$486,800 (2%) reflecting the payment of bonded debt.
- Operating Revenues increased by \$1,295,327 (8%) mainly due to increases in sewer and solid waste rates.
- Operating Expenses increased by \$963,958 (7%) due in large part to fuel and solid waste disposal costs.
- Operating Income increased by \$331,369 (26%)

### **OVERVIEW OF FINANCIAL STATEMENTS**

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the 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.

Enterprise Fund statements offer short- and long-term financial information about the activities and operations of the Authority. These statements are presented in the Government Accounting Standards Board ("GASB") prescribed manner.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED DECEMBER 31, 2005**

*(Continued)*

**FINANCIAL ANALYSIS OF THE AUTHORITY**

*Net Assets* – The following table summarizes the changes in Net Assets between December 31, 2005 and 2004:

|   | <u>2005</u>         | <u>2004</u>         | % Change<br>Increase<br>(Decrease) |
|---|---------------------|---------------------|------------------------------------|
| <b>ASSETS:</b>                                  |                     |                     |                                    |
| Current and Other Assets                        | \$ 16,782,276       | \$ 17,095,088       | (2)%                               |
| Capital Assets                                  | <u>8,288,732</u>    | <u>7,512,642</u>    | 10%                                |
| Total Assets                                    | <u>25,071,008</u>   | <u>24,607,730</u>   | 2%                                 |
| <b>LIABILITIES:</b>                             |                     |                     |                                    |
| Long-Term Liabilities                           | 20,867,256          | 21,354,056          | (2)%                               |
| Other Liabilities                               | <u>2,067,054</u>    | <u>1,717,731</u>    | 20%                                |
| Total Liabilities                               | <u>22,934,310</u>   | <u>23,071,787</u>   | (1)%                               |
| <b>NET ASSETS:</b>                              |                     |                     |                                    |
| Invested in Capital Assets, Net of Related Debt | (3,658,379)         | (3,043,966)         | (20)%                              |
| Restricted                                      | 5,147,482           | 3,934,795           | 31%                                |
| Unrestricted                                    | <u>647,595</u>      | <u>645,114</u>      | Less than 1%                       |
| Total Net Assets                                | <u>\$ 2,136,698</u> | <u>\$ 1,535,943</u> | 39%                                |

The Authority's Net Assets increased \$600,755 or 39%. Key elements of this change are as follows:

- Service fee revenue increased by \$1,298,289 or more than 9%. Sewer service fee revenue increased \$394,249 or 5% primarily due to increases in sewer usage rates. Solid waste service fees increased \$904,040 or 16% primarily due to increases in solid waste usage rates. Operating expenses increased \$963,958 or 7% primarily due to the increased cost of providing services. Sewer system operating expenses increased \$362,578 or 5% and solid waste system operating expenses increased \$601,380 or 8%.
- Unrestricted Net Assets increased \$2,481 or less than 1%. The net assets component Invested in Capital Assets, Net of Related Debt decreased \$614,413. This decrease is a result of the Authority funding its capital related debt over a longer period than the capital assets useful lives. These decreases were offset by an increase of \$1,212,687 in Restricted Net Assets, of which \$1,212,567 related to renewal and replacement reserves and \$120 related to debt service reserves which were required by the Authority's bond covenants.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**OPERATING ACTIVITIES**

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

|   | <u>2005</u>            | <u>2004</u>            | % Change<br>Increase<br>(Decrease) |
|---|------------------------|------------------------|------------------------------------|
| <b>OPERATING REVENUES</b>                 |                        |                        |                                    |
| Sewer Fees                                | \$ 8,175,601           | \$ 7,781,352           | 5 %                                |
| Solid Waste Fees                          | 6,729,160              | 5,825,120              | 16 %                               |
| Municipal Solid Waste Contribution        | 1,200,000              | 1,200,000              |                                    |
| Other                                     | <u>704,692</u>         | <u>707,654</u>         | (Less than 1%)                     |
| <br>Total Operating Revenues              | <br><u>16,809,453</u>  | <br><u>15,514,126</u>  | <br>8 %                            |
| <b>OPERATING EXPENSES</b>                 |                        |                        |                                    |
| Administration                            | 3,045,403              | 2,903,609              | 5%                                 |
| Cost of Providing Services                | 11,342,059             | 10,439,483             | 9%                                 |
| Depreciation                              | <u>818,266</u>         | <u>898,678</u>         | (9)%                               |
| <br>Total Operating Expenses              | <br><u>15,205,728</u>  | <br><u>14,241,770</u>  | <br>7 %                            |
| <br><b>OPERATING INCOME</b>               | <br><u>1,603,725</u>   | <br><u>1,272,356</u>   | <br>26 %                           |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>  |                        |                        |                                    |
| Interest Income                           | 327,627                | 95,759                 | 242 %                              |
| Interest Expense on Revenue Bonds         | (1,067,869)            | (1,005,296)            | 6 %                                |
| Other                                     | <u>(262,728)</u>       | <u>(459,808)</u>       | (50)%                              |
| <br>Total Non-Operating Income (Expenses) | <br><u>(1,002,970)</u> | <br><u>(1,369,345)</u> | <br>(27)%                          |
| <br><b>CHANGE IN NET ASSETS</b>           | <br><u>\$ 600,755</u>  | <br><u>\$ (96,989)</u> | <br>719 %                          |

Operating income increased \$331,369 or 26% for the year. As previously discussed, service fee revenue increased \$1,298,289 due to rate increases while miscellaneous operating revenue increased slightly by \$18,623 which is entirely due to increased services provided at the solid waste transfer station during 2005. Total operating expenses increased \$963,958 or 7%. The majority of this increase is attributable to increased contractual salaries and fringe benefits costs, increased sewerage processing fees, increased solid waste disposal fees as well as increased fuel costs. In addition, the Authority experienced significant increases in employee health benefits and other insurance costs during the year.



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2005**

*(Continued)*

**OPERATING ACTIVITIES (Continued)**

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

Total non-operating net expenses decreased \$366,375 or 27%. This decrease is primarily the result of a decrease in bad debt expense of \$207,843 and an increase in interest expense of \$62,573.

Interest income increased \$231,868 or 242% due to an increase in interest rates during the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

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

|                          | <u>2005</u>         | <u>2004</u>         | <u>% Change<br/>Increase<br/>(Decrease)</u> |
|--------------------------|---------------------|---------------------|---|
| Land                     | \$ 1,066,076        | \$ 723,639          | 47 %  |
| Land Improvements        | 998                 | 1,305               | (24)%                                       |
| Buildings                | 580,586             | 601,924             | (4)%  |
| Leasehold Improvements   | 2,702,138           | 2,756,974           | (2)%  |
| Property and Equipment   | 1,882,712           | 2,333,723           | (19)%                                       |
| Construction in Progress | <u>2,056,222</u>    | <u>1,095,077</u>    | 88 %  |
| Total                    | <u>\$ 8,288,732</u> | <u>\$ 7,512,642</u> | 10 %  |

Major capital asset events during the year included the following:

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

Additional information on the PMUA's capital assets can be found in the Notes to the Basic Financial Statements.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2005**

**(Continued)**

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

**Capital Debt**

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

|                           | <u>2005</u>          | <u>2004</u>          | <u>% Change<br/>Increase<br/>(Decrease)</u> |
|---------------------------|----------------------|----------------------|---|
| Sewer Revenue Bonds       | \$ 10,005,000        | \$ 10,420,000        | (4)%  |
| Solid Waste Revenue Bonds | <u>11,617,468</u>    | <u>11,732,775</u>    | (1)%  |
|                           | <u>\$ 21,622,468</u> | <u>\$ 22,152,775</u> | (2)%  |

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**

- No increases to 2006 service fee rates for both the sewer and solid waste system users.
- Increasing sewer processing fees and their effect on future rates.
- Increasing solid waste disposal fees and fuel costs and their effect on future rates.
- Building of renewal and replacement reserves essential to future capital programs to continue in 2006.
- Expansion of transfer station operations to provide new sources of revenue.
- Increased pressure to control rising costs in employee health benefits and other insurance expenses.

All of these factors were considered in preparing the PMUA's budget for the 2006 fiscal year.

***PLAINFIELD MUNICIPAL UTILITIES AUTHORITY***

***MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)***

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**

PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF NET ASSETS  
AS OF DECEMBER 31, 2005 AND 2004

|   | <u>2005</u>        | <u>2004</u>        |
|---|--------------------|--------------------|
| <b>ASSETS</b>   |                    |                    |
| Unrestricted Current Assets                               |                    |                    |
| Cash and Cash Equivalents                                 | \$ 1,093,901       | \$ 1,215,421       |
| Accounts Receivable (net of allowance for uncollectibles) | 3,529,082          | 3,420,269          |
| Prepaid Items   | 5,557              | 83,032             |
| Other Assets  | <u>24,120</u>      | <u>19,020</u>      |
| Total Unrestricted Current Assets                         | <u>4,652,660</u>   | <u>4,737,742</u>   |
| Restricted Current Assets                                 |                    |                    |
| Revenue Account   |                    |                    |
| Cash Equivalents  | 194,124            | 75,930             |
| General Fund Account                                      |                    |                    |
| Cash Equivalents  | 28,901             | 28,901             |
| Developers Escrow Account                                 |                    |                    |
| Cash  | 5,465              | 3,604              |
| Revenue Bond Service Account                              |                    |                    |
| Cash Equivalents  | 935,015            | 776,163            |
| Revenue Bond Reserve Account                              |                    |                    |
| Cash Equivalents  | 2,378,846          | 2,378,846          |
| Revenue Bond Construction Account                         |                    |                    |
| Cash Equivalents  | 3,823,699          | 5,017,749          |
| Revenue Bond Cost of Issuance Account                     |                    |                    |
| Cash Equivalents  | 41,866             | 41,085             |
| Renewal and Replacement Account                           |                    |                    |
| Cash Equivalents  | <u>4,075,134</u>   | <u>3,334,393</u>   |
| Total Restricted Current Assets                           | <u>11,483,050</u>  | <u>11,656,671</u>  |
| Total Current Assets                                      | <u>16,135,710</u>  | <u>16,394,413</u>  |
| Noncurrent Assets   |                    |                    |
| Deferred Charges  |                    |                    |
| Debt Issuance Costs (net of amortization)                 | <u>646,566</u>     | <u>700,675</u>     |
| Capital Assets  |                    |                    |
| Land  | 1,066,076          | 723,639            |
| Land Improvements   | 2,150              | 2,150              |
| Buildings and Building Improvements                       | 711,815            | 711,815            |
| Leasehold Improvements                                    | 3,174,230          | 3,103,700          |
| Property and Equipment                                    | 6,055,477          | 5,835,233          |
| Construction in Progress                                  | 2,056,222          | 1,095,077          |
| Accumulated Depreciation                                  | <u>(4,777,238)</u> | <u>(3,958,972)</u> |
| Total Capital Assets (net of accumulated depreciation)    | <u>8,288,732</u>   | <u>7,512,642</u>   |
| Total Noncurrent Assets                                   | <u>8,935,298</u>   | <u>8,213,317</u>   |
| Total Assets  | <u>25,071,008</u>  | <u>24,607,730</u>  |

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**AS OF DECEMBER 31, 2005 AND 2004**

|  | <u>2005</u>         | <u>2004</u>         |
|--|---------------------|---------------------|
| <b>LIABILITIES</b>   |                     |                     |
| Current Liabilities (Payable from Unrestricted Assets)     |                     |                     |
| Accounts Payable   | \$ 806,295          | \$ 695,133          |
| Accrued Expenses   | 20,570              | 16,536              |
| Accrued Salary and Related Benefits                        | 36,888              | 43,911              |
| Accrued Compensated Absences                               | 21,795              | 15,914              |
| Other Liabilities  | <u>53,502</u>       | <u>149,638</u>      |
| Total Current Liabilities Payable from Unrestricted Assets | <u>939,050</u>      | <u>921,132</u>      |
| Current Liabilities (Payable from Restricted Assets)       |                     |                     |
| Accounts Payable   | 375,930             | 74,421              |
| Revenue Bonds Payable                                      | 665,000             | 635,000             |
| Accrued Interest on Bonds                                  | 82,552              | 84,456              |
| Escrow Deposits Payable                                    | <u>4,522</u>        | <u>2,722</u>        |
| Total Current Liabilities Payable from Restricted Assets   | <u>1,128,004</u>    | <u>796,599</u>      |
| Total Current Liabilities                                  | <u>2,067,054</u>    | <u>1,717,731</u>    |
| Non-Current Liabilities                                    |                     |                     |
| Revenue Bonds Payable (Net of Unamortized Discounts)       | 20,671,102          | 21,210,834          |
| Accrued Compensated Absences                               | <u>196,154</u>      | <u>143,222</u>      |
| Total Non-Current Liabilities                              | <u>20,867,256</u>   | <u>21,354,056</u>   |
| Total Liabilities  | <u>22,934,310</u>   | <u>23,071,787</u>   |
| <b>NET ASSETS</b>  |                     |                     |
| Invested in Capital Assets, net of related debt            | (3,658,379)         | (3,043,966)         |
| Restricted For:  |                     |                     |
| Debt Service   | 705,417             | 705,297             |
| Renewal and Replacement                                    | 4,442,065           | 3,229,498           |
| Unrestricted   | <u>647,595</u>      | <u>645,114</u>      |
| Total Net Assets   | <u>\$ 2,136,698</u> | <u>\$ 1,535,943</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

|   | <u>2005</u>            | <u>2004</u>            |
|---|------------------------|------------------------|
| <b>OPERATING REVENUES</b>                 |                        |                        |
| Sewer Fees                                | \$ 8,175,601           | \$ 7,781,352           |
| Solid Waste Fees                          | 6,729,160              | 5,825,120              |
| Municipal Solid Waste Contribution        | 1,200,000              | 1,200,000              |
| Interest on Delinquent Balances           | 292,969                | 314,554                |
| Miscellaneous                             | <u>411,723</u>         | <u>393,100</u>         |
| <br>Total Operating Revenues              | <br><u>16,809,453</u>  | <br><u>15,514,126</u>  |
| <b>OPERATING EXPENSES</b>                 |                        |                        |
| Administration                            |                        |                        |
| Board of Commissioners                    | 112,733                | 96,933                 |
| Administrative and Executive              | 847,724                | 1,162,486              |
| Finance and Accounting                    | 929,353                | 880,314                |
| Customer Service                          | 210,911                | 193,878                |
| Public Information                        | 277,922                | 284,485                |
| Information Technology                    | 424,067                | 285,513                |
| Human Resources                           | 242,693                |                        |
| Cost of Providing Services                |                        |                        |
| Central Services                          | 1,370,402              | 1,164,820              |
| Sewer Operations                          | 4,645,740              | 4,472,802              |
| Solid Waste Collection and Disposal       | 2,844,458              | 2,680,313              |
| Bulky Waste Pick-Up                       | 1,006,760              | 906,818                |
| Transfer Station                          | 1,347,082              | 1,148,948              |
| Public Can and Street Maintenance         | 127,617                | 65,782                 |
| Depreciation                              | <u>818,266</u>         | <u>898,678</u>         |
| <br>Total Operating Expenses              | <br><u>15,205,728</u>  | <br><u>14,241,770</u>  |
| <br><b>OPERATING INCOME</b>               | <br><u>1,603,725</u>   | <br><u>1,272,356</u>   |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>  |                        |                        |
| Interest Income                           | 327,627                | 95,759                 |
| Interest Expenses                         | (1,067,869)            | (1,005,296)            |
| Amortization of Costs of Issuance         | (54,109)               | (54,109)               |
| Intergovernmental Grants                  | 33,455                 | 42,042                 |
| Bad Debt Expense                          | (242,074)              | (449,917)              |
| Miscellaneous                             | <u>-</u>               | <u>2,176</u>           |
| <br>Total Non-Operating Income (Expenses) | <br><u>(1,002,970)</u> | <br><u>(1,369,345)</u> |
| <br><b>CHANGE IN NET ASSETS</b>           | <br>600,755            | <br>(96,989)           |
| Total Net Assets, January 1               | <u>1,535,943</u>       | <u>1,632,932</u>       |
| Total Net Assets, December 31             | <u>\$ 2,136,698</u>    | <u>\$ 1,535,943</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, 2005 AND 2004**

|   | <u>2005</u>          | <u>2004</u>          |
|---|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                      |                      |
| Cash Received from Customers                                    | \$ 15,164,230        | \$ 13,858,847        |
| Cash Received from Municipality                                 | 1,200,000            | 1,200,000            |
| Cash Paid to Suppliers  | (9,435,850)          | (8,783,449)          |
| Cash Paid to Employees  | <u>(4,461,878)</u>   | <u>(4,404,191)</u>   |
| Net Cash Provided by Operating Activities                       | <u>2,466,502</u>     | <u>1,871,207</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                      |                      |
| Proceeds from Intergovernmental Grants                          | 33,455               | 42,042               |
| Miscellaneous Income  | <u>-</u>             | <u>2,176</u>         |
| Net Cash Provided by Non-Capital Financing Activities           | <u>33,455</u>        | <u>44,218</u>        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                      |                      |
| Principal Payments on Bonds                                     | (635,000)            | (505,000)            |
| Acquisition of Fixed Assets                                     | (1,543,221)          | (1,639,745)          |
| Interest Paid on Bonds  | (944,504)            | (974,297)            |
| Payment of Debt Issuance Costs                                  | <u>-</u>             | <u>(75,000)</u>      |
| Net Cash Used for Capital and Related Financing Activities      | <u>(3,122,725)</u>   | <u>(3,194,042)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                      |                      |
| Interest Received   | <u>327,627</u>       | <u>95,759</u>        |
| Net Cash Provided by Investing Activities                       | <u>327,627</u>       | <u>95,759</u>        |
| Net Decrease in Cash and Cash Equivalents                       | (295,141)            | (1,182,858)          |
| Cash and Cash Equivalents, January 1,                           | <u>12,872,092</u>    | <u>14,054,950</u>    |
| Cash and Cash Equivalents, December 31,                         | <u>\$ 12,576,951</u> | <u>\$ 12,872,092</u> |
| <b>ANALYSIS OF BALANCE AT DECEMBER 31,</b>                      |                      |                      |
| Unrestricted - Cash and Cash Equivalents                        | \$ 1,093,901         | \$ 1,215,421         |
| Restricted - Cash and Cash Equivalents                          | <u>11,483,050</u>    | <u>11,656,671</u>    |
|   | <u>\$ 12,576,951</u> | <u>\$ 12,872,092</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, 2005 AND 2004**

|  | <u>2005</u>         | <u>2004</u>         |
|--|---------------------|---------------------|
| Operating Income   | \$ 1,603,725        | \$ 1,272,356        |
| Adjustments to Reconcile Operating Income to Net Cash      |                     |                     |
| Provided by Operating Activities:                          |                     |                     |
| Provision for Uncollectible Accounts                       | (242,074)           | (449,917)           |
| Depreciation   | 818,266             | 898,678             |
| (Increase)/Decrease in Accounts Receivable                 | (108,813)           | (100,252)           |
| (Increase)/Decrease in Prepaid Items                       | 77,475              | (26,460)            |
| (Increase)/Decrease in Other Assets                        | (5,100)             | (19,020)            |
| Increase/(Decrease) in Accounts Payable                    | 361,535             | 139,725             |
| Increase/(Decrease) in Accrued Expenses                    | 4,034               | 3,492               |
| Increase/(Decrease) in Accrued Salary and Related Benefits | (7,023)             | 28,197              |
| Increase/(Decrease) in Accrued Compensated Absences        | 58,813              | 29,518              |
| Increase/(Decrease) in Other Liabilities                   | (96,136)            | 109,458             |
| Increase/(Decrease) in Escrow Deposits Payable             | <u>1,800</u>        | <u>(14,568)</u>     |
| Total Adjustments  | <u>862,777</u>      | <u>598,851</u>      |
| Net Cash Provided by Operating Activities                  | <u>\$ 2,466,502</u> | <u>\$ 1,871,207</u> |
| Noncash Investing, Capital and Financing Activities        |                     |                     |
| Purchase of Capital Assets on Account                      | \$ 375,930          | \$ 250,373          |

**NOTES TO BASIC FINANCIAL STATEMENTS**

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

GASB has issued Statement No. 39 which 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 includable as a component unit of the City of Plainfield.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Proprietary Fund Type**

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

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

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 2).

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

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

**C. Assets, Liabilities and Net Assets**

***1. Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit 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.

***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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Net Assets (Continued)**

**3. *Accounts Receivable***

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

**4. *Prepaid Items***

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

**5. *Interfunds Receivable and Payable***

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

**6. *Restricted Assets***

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

**7. *Capital Assets***

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

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

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during 2005 and 2004 was \$1,067,869 and \$1,093,061 respectively. Of these amounts \$- and \$87,765 were included as part of the cost of capital assets under construction for those years.

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     |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Net Assets (Continued)**

**8. *Deferred Charges***

**Debt Issuance Costs**

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

**9. *Compensated Absences***

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

**10. *Long-term Obligations***

Long-term obligations are reported as a liability 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.

**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, 2004 balances to conform to the December 31, 2005 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.

**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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**1. Budgetary Accounting (Continued)**

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

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

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

**2. Revenues**

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

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

**NOTE 3 CREATION OF FUNDS**

Under the original Bond Resolutions dated August 14, 1997 and amended and supplemented on August 19, 2004, 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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

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

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

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

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

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

**NOTE 4 DEPOSITS AND INVESTMENTS**

**Deposits** - The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$100,000 in the aggregate by the FDIC for each bank. At December 31, 2005 and 2004, the book value of the Authority's deposits were \$1,099,366 and \$1,219,025, respectively, and bank balances of the Authority's cash and deposits amounted to \$1,465,212 and \$1,280,636, respectively.

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

| <u>Depository Account</u> | <u>2005</u>        | <u>Bank Balance</u> | <u>2004</u>        |
|---------------------------|--------------------|---------------------|--------------------|
| Insured                   |                    |                     |                    |
| Restricted                | \$ 5,465           |                     | \$ 3,604           |
| Unrestricted              | <u>1,459,747</u>   |                     | <u>1,269,836</u>   |
|                           | <u>\$1,465,212</u> |                     | <u>\$1,273,440</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, 2005 and 2004, 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, 2005 AND 2004**

**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 (8a-8e).

As of December 31, 2005 and 2004, the Authority had the following investments:

|                                 | <u>Fair<br/>Value</u> |
|---------------------------------|-----------------------|
| <u>2005</u>                     |                       |
| U.S. Government Security Funds: |                       |
| Restricted                      | <u>\$ 11,477,585</u>  |
| Cash Equivalents                | <u>\$ 11,477,585</u>  |
|                                 | <u>Fair<br/>Value</u> |
| <u>2004</u>                     |                       |
| U.S. Government Security Funds: |                       |
| Restricted                      | <u>\$ 11,653,067</u>  |
| Cash Equivalents                | <u>\$ 11,653,067</u>  |

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

**Investments (Continued)**

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

The fair value of the above-listed investments were based on quoted market prices.

**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.

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2005 and 2004 was as follows:

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 6 CAPITAL ASSETS (Continued)**

|  | Balance<br>January 1,<br><u>2004</u> | <u>Increases</u>  | <u>Decreases</u> | Balance,<br>December 31,<br><u>2004</u> |
|--|--------------------------------------|-------------------|------------------|---|
| <u>2004</u>                                  |                                      |                   |                  |   |
| Capital assets, not being depreciated:       |                                      |                   |                  |   |
| Land   | \$ 581,467                           | \$ 142,672        | \$ 500           | \$ 723,639                              |
| Construction in Progress                     | <u>759,239</u>                       | <u>383,639</u>    | <u>47,801</u>    | <u>1,095,077</u>                        |
| Total capital assets, not being depreciated  | <u>1,340,706</u>                     | <u>526,311</u>    | <u>48,301</u>    | <u>1,818,716</u>                        |
| Capital assets, being depreciated:           |                                      |                   |                  |   |
| Land Improvements                            | 2,150                                |                   |                  | 2,150                                   |
| Buildings and Building Improvements          | 711,815                              |                   |                  | 711,815                                 |
| Leasehold Improvements                       | 3,039,528                            | 64,172            |                  | 3,103,700                               |
| Property and Equipment                       | <u>5,327,439</u>                     | <u>514,547</u>    | <u>6,753</u>     | <u>5,835,233</u>                        |
| Total capital assets being depreciated       | <u>9,080,932</u>                     | <u>578,719</u>    | <u>6,753</u>     | <u>9,652,898</u>                        |
| Less accumulated depreciation for:           |                                      |                   |                  |   |
| Land Improvements                            | (538)                                | (307)             |                  | (845)                                   |
| Buildings and Building Improvements          | (88,553)                             | (21,338)          |                  | (109,891)                               |
| Leasehold Improvements                       | (229,622)                            | (117,104)         |                  | (346,726)                               |
| Property and Equipment                       | <u>(2,741,581)</u>                   | <u>(759,929)</u>  | <u>-</u>         | <u>(3,501,510)</u>                      |
| Total accumulated depreciation               | <u>(3,060,294)</u>                   | <u>(898,678)</u>  | <u>-</u>         | <u>(3,958,972)</u>                      |
| Total capital assets, being depreciated, net | <u>6,020,638</u>                     | <u>(319,959)</u>  | <u>6,753</u>     | <u>5,693,926</u>                        |
| Total capital assets, net                    | <u>\$ 7,361,344</u>                  | <u>\$ 206,352</u> | <u>\$ 55,054</u> | <u>\$ 7,512,642</u>                     |

**NOTE 7 LONG-TERM DEBT**

**Revenue Bonds**

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

The 1999 Sewer Bonds were issued to (i) permanently finance the Sewer System Acquisition and Improvements, (ii) provide monies to pay a portion of the 1999 Sewer Notes on their April 15, 2000 maturity date, (iii) fund the Bond Reserve Requirement for the 1999 Sewer Bonds, (iv) provide for the capitalized interest on the 1999 Sewer Bonds for the period from the date of their original issuance through December 15, 2000 and (vi) provide for payment of the costs of issuance related to the 1999 Sewer Bond.

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
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**NOTE 7 LONG-TERM DEBT (Continued)**

**Revenue Bonds (Continued)**

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

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

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

Revenue Bonds outstanding at December 31, 2005 and 2004, consist of the following:

|  | <u>2005</u>          | <u>2004</u>          |
|--|----------------------|----------------------|
| Sewer Revenue Bonds, Series 1999A<br>4.40% to 4.75% due December 15, 2011 to 2023  | \$ 6,135,000         | \$ 6,135,000         |
| Sewer Revenue Bonds, Taxable Series. 1999B<br>5.65% to 6.00% due December 15, 2002 to 2010   | 2,010,000            | 2,350,000            |
| Sewer Revenue Bonds, Series 2003<br>2.00% to 4.60% due October 1, 2005 to 2023   | 1,860,000            | 1,935,000            |
| Solid Waste Revenue Bonds, Series 1999A<br>4.40% to 4.75% due December 15, 2011 to 2023  | 4,820,000            | 4,820,000            |
| Solid Waste Revenue Bonds, Taxable Series 1999B<br>5.65% to 6.00% due December 15, 2000 to 2010  | 1,180,000            | 1,375,000            |
| Solid Waste Revenue Bonds, Series 2003<br>2.00% to 4.10% due October 15, 2005 to 2023<br>(Includes Accretion of \$228,464 and \$123,771<br>through December 31, 2005 and 2004, respectively) | <u>5,617,468</u>     | <u>5,537,775</u>     |
| Total  | <u>\$ 21,622,468</u> | <u>\$ 22,152,775</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 7 LONG-TERM DEBT (Continued)**

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of December 31, 2005 is as follows:

| Period Ending<br>December 31,   | Revenue Bonds      |                      | Total                |
|---|--------------------|----------------------|----------------------|
|   | Principal<br>(1)   | Interest             |                      |
| 2006  | \$ 665,000         | \$ 910,938           | \$ 1,575,938         |
| 2007  | 705,000            | 875,603              | 1,580,603            |
| 2008  | 755,000            | 837,398              | 1,592,398            |
| 2009  | 820,000            | 796,418              | 1,616,418            |
| 2010  | 910,000            | 751,930              | 1,661,930            |
| 2011-2015   | 5,355,000          | 3,105,665            | 8,460,665            |
| 2016-2020   | 8,615,000          | 1,709,128            | 10,324,128           |
| 2021-2023   | <u>6,385,000</u>   | <u>341,423</u>       | <u>6,726,423</u>     |
|   | 24,210,000         | <u>\$ 9,328,503</u>  | <u>\$ 33,538,503</u> |
| Less: Unaccredited Value of<br>Capital Appreciation Revenue<br>Bonds at December 31, 2005 | <u>(2,587,532)</u> |                      |                      |
|   |                    | <u>\$ 21,622,468</u> |                      |

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

**Changes in Long-Term Liabilities**

The Authority's long-term liability activity for the year ended December 31, 2005 and 2004 are as follows:

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 7 LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities (Continued)**

| <u>2004</u>                                      | Balance,<br>January 1,<br><u>2004</u> | <u>Additions</u>  | <u>Reductions</u>   | Balance,<br>December 31,<br><u>2004</u> | Due Within<br><u>One Year</u> |
|--|---------------------------------------|-------------------|---------------------|---|-------------------------------|
| Revenue Bonds                                    | \$ 22,558,262                         | \$ 99,513         | \$ (505,000)        | \$ 22,152,775                           | \$ 635,000                    |
| Less: Deferred Amounts<br>for Issuance Discounts | <u>(327,515)</u>                      | <u>-</u>          | <u>20,574</u>       | <u>(306,941)</u>                        | <u>-</u>                      |
| Total Bonds Payable                              | 22,230,747                            | 99,513            | (484,426)           | 21,845,834                              | 635,000                       |
| Compensated Absences                             | <u>129,618</u>                        | <u>42,480</u>     | <u>(12,962)</u>     | <u>159,136</u>                          | <u>15,914</u>                 |
| Long-Term Liabilities                            | <u>\$ 22,360,365</u>                  | <u>\$ 141,993</u> | <u>\$ (497,388)</u> | <u>\$ 22,004,970</u>                    | <u>\$ 650,914</u>             |

**NOTE 8 USER CHARGES RECEIVABLE**

User charges receivable at December 31, 2005 and 2004, including the applicable Allowance for Doubtful Accounts, consisted of the following:

|                                    | December 31,<br><u>2005</u> | December 31,<br><u>2004</u> |
|------------------------------------|-----------------------------|-----------------------------|
| Gross User Charges Receivable      | \$ 4,257,572                | \$ 3,948,230                |
| Less: Allowance for Uncollectibles | <u>(728,490)</u>            | <u>(527,961)</u>            |
| Net User Charges Receivable        | <u>\$ 3,529,082</u>         | <u>\$ 3,420,269</u>         |

**NOTE 9 DEFICIENCY AGREEMENT**

In connection with the Interlocal Services Agreement, the Authority and the City have entered into a Deficiency Agreement, dated as of October 17, 1997 (the "Deficiency Agreement"). The Deficiency Agreement requires the City to pay an annual charge to the Authority for any amounts which may be necessary to provide for any deficit in the operation and maintenance and debt service requirements of the Authority. The Deficiency Agreement may be terminated at any time, after the payment in full of all obligations including bonds of the Authority. As of March 29, 2006, the City has not been required to pay an annual charge to the Authority under the Deficiency Agreement.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 10 INTERLOCAL SERVICE AGREEMENT**

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

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

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

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

Under the Interlocal Agreement, the Authority agreed to pay the City its Revenue Sharing Percentage for each Fiscal Year, as set forth in the Agreement. After the close of each fiscal year the Authority is required to perform a calculation, in accordance with the Interlocal Agreement, of the Revenue Sharing Percentage, due the City, if any, for such fiscal year. The Authority was not required to pay any amounts to the City under revenue sharing percentage for the years ended December 31, 2005 and 2004.

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

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 11 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, 2005 and 2004 was \$1,257,064 and \$1,220,450, respectively. Future minimum lease payments for the next three years are as follows:

| <u>Period Ending<br/>December 31,</u> | <u>Amount</u> |
|---------------------------------------|---------------|
| 2006                                  | \$1,333,493   |
| 2007                                  | 1,333,493     |
| 2008                                  | 1,333,493     |

The lease payment amounts for the years 2007 and 2008 will be adjusted in accordance with the Escalation Factor as defined in the Interlocal Agreement.

In addition, the Authority leased office space to house the Authority's central services and human resources departments, property for the sewer maintenance facility and vehicles. The lease terms are for 2 to 4 years. The lease payments for the years ended December 31, 2005 and 2004 were \$177,115 and \$136,309, 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 Ended<br/>December 31,</u> | <u>Office<br/>Space</u> | <u>Maintenance<br/>Facility<br/>Property</u> | <u>Vehicles</u> | <u>Total</u> |
|------------------------------------|-------------------------|--|-----------------|--------------|
| 2006                               | \$122,952               | \$23,400                                     | \$15,686        | \$162,038    |
| 2007                               | 129,100                 | 7,800  |                 | 136,900      |
| 2008                               | 54,880                  |  |                 | 54,800       |

**NOTE 12 ACCRUED COMPENSATED ABSENCES**

Under the existing policies of the Authority, employees are allowed to accumulate (with certain restrictions) unused sick leave 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 \$217,949 and \$159,136 at December 31, 2005 and 2004, respectively. These amounts are accrued as a liability at December 31, 2005 and 2004.



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**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>2005</u>         |                       | <u>2004</u>         |                     |
|---|---------------------|-----------------------|---------------------|---------------------|
|   | <u>Sewer</u>        | <u>Solid Waste</u>    | <u>Sewer</u>        | <u>Solid Waste</u>  |
| <b>Assets</b>   |                     |                       |                     |                     |
| Unrestricted Current Assets                           | \$ 2,469,737        | \$ 2,182,923          | \$ 2,488,618        | \$ 2,249,124        |
| Restricted Current Assets                             | 6,464,716           | 5,018,334             | 6,318,923           | 5,337,748           |
| Other Assets  | 273,064             | 373,502               | 297,935             | 402,740             |
| Capital Assets  | <u>4,342,474</u>    | <u>3,946,258</u>      | <u>3,897,461</u>    | <u>3,615,181</u>    |
| Total Assets  | <u>13,549,991</u>   | <u>11,521,017</u>     | <u>13,002,937</u>   | <u>11,604,793</u>   |
| <b>Liabilities</b>                                    |                     |                       |                     |                     |
| Current Liabilities                                   | 272,372             | 666,678               | 258,199             | 662,933             |
| Current Liabilities Payable<br>from Restricted Assets | 532,550             | 595,454               | 480,036             | 316,563             |
| Noncurrent Liabilities                                | <u>9,497,371</u>    | <u>11,369,885</u>     | <u>9,898,367</u>    | <u>11,455,689</u>   |
| Total Liabilities                                     | <u>10,302,293</u>   | <u>12,632,017</u>     | <u>10,636,602</u>   | <u>12,435,185</u>   |
| <b>Net Assets</b>                                     |                     |                       |                     |                     |
| Invested in Capital Assets,<br>Net of Related Debt    | (1,197,646)         | (2,460,733)           | (1,138,401)         | (1,905,565)         |
| Restricted  | 3,780,726           | 1,366,756             | 3,072,193           | 862,602             |
| Unrestricted  | <u>664,618</u>      | <u>(17,023)</u>       | <u>432,543</u>      | <u>212,571</u>      |
| Total Net Assets                                      | <u>\$ 3,247,698</u> | <u>\$ (1,111,000)</u> | <u>\$ 2,366,335</u> | <u>\$ (830,392)</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 13 SEGMENT INFORMATION (Continued)**

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

|                                    | <u>2005</u>         |                       | <u>2004</u>         |                     |
|------------------------------------|---------------------|-----------------------|---------------------|---------------------|
|                                    | <u>Sewer</u>        | <u>Solid Waste</u>    | <u>Sewer</u>        | <u>Solid Waste</u>  |
| Operating Revenues                 |                     |                       |                     |                     |
| Sewer Fees                         | \$ 8,175,601        |                       | \$ 7,781,352        |                     |
| Solid Waste Fees                   |                     | \$ 6,729,160          |                     | \$ 5,825,120        |
| Municipal Solid Waste Contribution |                     | 1,200,000             |                     | 1,200,000           |
| Other                              | 227,680             | 477,012               | 218,488             | 489,166             |
| Depreciation Expense               | (232,637)           | (585,629)             | (221,789)           | (676,889)           |
| Other Operating Expenses           | <u>(6,820,071)</u>  | <u>(7,567,391)</u>    | <u>(6,468,341)</u>  | <u>(6,874,751)</u>  |
| Operating Income (Loss)            | 1,350,573           | 253,152               | 1,309,710           | (37,354)            |
| Non-operating Revenues (Expenses)  |                     |                       |                     |                     |
| Interest Income                    | 174,355             | 153,272               | 45,831              | 49,928              |
| Interest Expense                   | (511,241)           | (556,628)             | (476,395)           | (528,901)           |
| Amortization Expense               | (24,871)            | (29,238)              | (24,872)            | (29,237)            |
| Intergovernmental Grants           |                     | 33,455                |                     | 42,042              |
| Bad Debt Expense                   | (107,453)           | (134,621)             | (271,784)           | (178,133)           |
| Other                              | <u>-</u>            | <u>-</u>              | <u>1,088</u>        | <u>1,088</u>        |
| Change in Net Assets               | 881,363             | (280,608)             | 583,578             | (680,567)           |
| Beginning Net Assets               | <u>2,366,335</u>    | <u>(830,392)</u>      | <u>1,782,757</u>    | <u>(149,825)</u>    |
| Ending Net Assets                  | <u>\$ 3,247,698</u> | <u>\$ (1,111,000)</u> | <u>\$ 2,366,335</u> | <u>\$ (830,392)</u> |

**Condensed Statement of Cash Flows**

|  | <u>2005</u>         |                     | <u>2004</u>         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <u>Sewer</u>        | <u>Solid Waste</u>  | <u>Sewer</u>        | <u>Solid Waste</u>  |
| Net cash provided by (used for) by:      |                     |                     |                     |                     |
| Operating activities                     | \$ 1,552,513        | \$ 913,989          | \$ 1,342,769        | \$ 528,438          |
| Noncapital financing activities          |                     | 33,455              | 1,088               | 43,130              |
| Capital and related financing activities | (1,601,601)         | (1,521,124)         | (1,292,991)         | (1,901,051)         |
| Investing activities                     | <u>174,355</u>      | <u>153,272</u>      | <u>45,831</u>       | <u>49,928</u>       |
| Net increase/(decrease)                  | 125,267             | (420,408)           | 96,697              | (1,279,555)         |
| Beginning cash and cash equivalents      | <u>6,792,140</u>    | <u>6,079,952</u>    | <u>6,695,443</u>    | <u>7,359,507</u>    |
| Ending cash and cash equivalents         | <u>\$ 6,917,407</u> | <u>\$ 5,659,544</u> | <u>\$ 6,792,140</u> | <u>\$ 6,079,952</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**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, 2005 and 2004 are as follows:

|                                     | December 31, 2005 |              |              | December 31, 2004 |              |              |
|-------------------------------------|-------------------|--------------|--------------|-------------------|--------------|--------------|
|                                     | Sewer             | Solid Waste  | Total        | Sewer             | Solid Waste  | Total        |
| <b>Revenue Fund</b>                 |                   |              |              |                   |              |              |
| Required Balances                   | -                 | -            | -            | -                 | -            | -            |
| Cash and Investments                | \$ 192,130        | \$ 1,994     | \$ 194,124   | \$ 24,250         | \$ 51,680    | \$ 75,930    |
| Excess or (Deficit)                 | \$ 192,130        | \$ 1,994     | \$ 194,124   | \$ 24,250         | \$ 51,680    | \$ 75,930    |
| <b>General Fund</b>                 |                   |              |              |                   |              |              |
| Required Balances                   | -                 | -            | -            | -                 | -            | -            |
| Cash and Investments                | \$ 21,705         | \$ 7,196     | \$ 28,901    | \$ 21,705         | \$ 7,196     | \$ 28,901    |
| Excess or (Deficit)                 | \$ 21,705         | \$ 7,196     | \$ 28,901    | \$ 21,705         | \$ 7,196     | \$ 28,901    |
| <b>Bond Service Fund</b>            |                   |              |              |                   |              |              |
| Required Balances                   | \$ 454,809        | \$ 333,160   | \$ 787,969   | \$ 458,088        | \$ 331,663   | \$ 789,751   |
| Cash and Investments                | 490,161           | 444,854      | 935,015      | 494,644           | 281,519      | 776,163      |
| Excess or (Deficit)                 | \$ 35,352         | \$ 111,694   | \$ 147,046   | \$ 36,556         | \$ (50,144)  | \$ (13,588)  |
| <b>Bond Reserve Fund</b>            |                   |              |              |                   |              |              |
| Required Balances                   | \$ 917,173        | \$ 1,449,650 | \$ 2,366,823 | \$ 917,173        | \$ 1,449,650 | \$ 2,366,823 |
| Cash and Investments                | 922,083           | 1,456,763    | 2,378,846    | 922,083           | 1,456,763    | 2,378,846    |
| Excess or (Deficit)                 | \$ 4,910          | \$ 7,113     | \$ 12,023    | \$ 4,910          | \$ 7,113     | \$ 12,023    |
| <b>Renewal and Replacement Fund</b> |                   |              |              |                   |              |              |
| Required Balances                   | \$ 3,361,767      | \$ 1,080,298 | \$ 4,442,065 | \$ 2,651,220      | \$ 578,278   | \$ 3,229,498 |
| Cash and Investments                | 3,222,613         | 852,521      | 4,075,134    | 2,652,065         | 682,328      | 3,334,393    |
| Excess or (Deficit)                 | \$ (139,154)      | \$ (227,777) | \$ (366,931) | \$ 845            | \$ 104,050   | \$ 104,895   |

**NOTE 15 OTHER INFORMATION**

**A. Employee Retirement System and Pension Plan**

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

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**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 respective system and is considered in the annual actuarial calculation of the required contributions for the system.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above system. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Basis of Accounting**

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

**Investment Valuation**

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

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

**Significant Legislation**

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

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 15 OTHER INFORMATION (Continued)**

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

**Contribution Requirement**

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

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

During the years ended December 31, 2005, 2004 and 2003, the Authority was required to contribute for normal cost pension contributions or post-retirement medical benefits the following amounts:

| <u>Year Ended</u><br><u>December 31</u> | <u>PERS</u> |
|---|-------------|
| 2005                                    | \$24,645    |
| 2004                                    | None        |
| 2003                                    | None        |

**B. Contingent Liabilities**

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

**C. Risk Management**

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

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

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 15 OTHER INFORMATION (Continued)**

**C. Risk Management (Continued)**

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

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

**SUPPLEMENTARY SCHEDULES**

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF NET ASSETS**  
**AS OF DECEMBER 31, 2005**

|   | Sewer             | Solid<br>Waste    | Total             |
|---|-------------------|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |                   |
| Unrestricted Current Assets                                   |                   |                   |                   |
| Cash and Cash Equivalents                                     | \$ 452,691        | \$ 641,210        | \$ 1,093,901      |
| Accounts Receivable - (net of allowance for uncollectibles)   | 2,002,125         | 1,526,957         | 3,529,082         |
| Prepaid Items   | 2,861             | 2,696             | 5,557             |
| Other Assets  | 12,060            | 12,060            | 24,120            |
| <b>Total Unrestricted Current Assets</b>                      | <b>2,469,737</b>  | <b>2,182,923</b>  | <b>4,652,660</b>  |
| Restricted Current Assets                                     |                   |                   |                   |
| Revenue Account   |                   |                   |                   |
| Cash Equivalents  | 192,130           | 1,994             | 194,124           |
| General Fund Account  |                   |                   |                   |
| Cash Equivalents  | 21,705            | 7,196             | 28,901            |
| Developers Escrow Account                                     |                   |                   |                   |
| Cash  | 5,465             |                   | 5,465             |
| Bond Service Account  |                   |                   |                   |
| Cash Equivalents  | 490,161           | 444,854           | 935,015           |
| Bond Reserve Account  |                   |                   |                   |
| Cash Equivalents  | 922,083           | 1,456,763         | 2,378,846         |
| Bond Construction Account                                     |                   |                   |                   |
| Cash Equivalents  | 1,600,357         | 2,223,342         | 3,823,699         |
| Revenue Bond Cost of Issuance Account                         |                   |                   |                   |
| Cash Equivalents  | 10,202            | 31,664            | 41,866            |
| Renewal and Replacement Account                               |                   |                   |                   |
| Cash Equivalents  | 3,222,613         | 852,521           | 4,075,134         |
| <b>Total Restricted Current Assets</b>                        | <b>6,464,716</b>  | <b>5,018,334</b>  | <b>11,483,050</b> |
| <b>Total Current Assets</b>                                   | <b>8,934,453</b>  | <b>7,201,257</b>  | <b>16,135,710</b> |
| Noncurrent Assets   |                   |                   |                   |
| Deferred Charges  |                   |                   |                   |
| Debt Issuance Costs (net of amortization)                     | 273,064           | 373,502           | 646,566           |
| Capital Assets  |                   |                   |                   |
| Land  | 1,041,966         | 24,110            | 1,066,076         |
| Land Improvements   | 2,150             |                   | 2,150             |
| Buildings and Building Improvements                           | 465,366           | 246,449           | 711,815           |
| Leasehold Improvements  | 2,248,808         | 925,422           | 3,174,230         |
| Property and Equipment  | 1,670,194         | 4,385,283         | 6,055,477         |
| Construction in Progress                                      | 634,972           | 1,421,250         | 2,056,222         |
| Accumulated Depreciation                                      | (1,720,982)       | (3,056,256)       | (4,777,238)       |
| <b>Total Capital Assets (Net of accumulated depreciation)</b> | <b>4,342,474</b>  | <b>3,946,258</b>  | <b>8,288,732</b>  |
| <b>Total Noncurrent Assets</b>                                | <b>4,615,538</b>  | <b>4,319,760</b>  | <b>8,935,298</b>  |
| <b>Total Assets</b>   | <b>13,549,991</b> | <b>11,521,017</b> | <b>25,071,008</b> |



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF NET ASSETS**  
**AS OF DECEMBER 31, 2005**

|   | Sewer               | Solid<br>Waste        | Total               |
|---|---------------------|-----------------------|---------------------|
| <b>LIABILITIES</b>  |                     |                       |                     |
| Current Liabilities (Payable from Unrestricted Assets)            |                     |                       |                     |
| Accounts Payable  | \$ 193,135          | \$ 613,160            | \$ 806,295          |
| Accrued Expenses  | 10,285              | 10,285                | 20,570              |
| Accrued Salary and Related Benefits                               | 14,695              | 22,193                | 36,888              |
| Accrued Compensated Absences                                      | 8,333               | 13,462                | 21,795              |
| Other Liabilities   | <u>45,924</u>       | <u>7,578</u>          | <u>53,502</u>       |
| <b>Total Current Liabilities Payable from Unrestricted Assets</b> | <u>272,372</u>      | <u>666,678</u>        | <u>939,050</u>      |
| Current Liabilities (Payable from Restricted Assets)              |                     |                       |                     |
| Accounts Payable  | 62,178              | 313,752               | 375,930             |
| Revenue Bonds Payable   | 430,000             | 235,000               | 665,000             |
| Accrued Interest on Bonds   | 35,850              | 46,702                | 82,552              |
| Escrow Deposits Payable   | <u>4,522</u>        | <u>-</u>              | <u>4,522</u>        |
| <b>Total Current Liabilities Payable from Restricted Assets</b>   | <u>532,550</u>      | <u>595,454</u>        | <u>1,128,004</u>    |
| <b>Total Current Liabilities</b>                                  | <u>804,922</u>      | <u>1,262,132</u>      | <u>2,067,054</u>    |
| Non-Current Liabilities   |                     |                       |                     |
| Revenue Bonds Payable (net of unamortized discounts)              | 9,422,372           | 11,248,730            | 20,671,102          |
| Accrued Compensated Absences                                      | <u>74,999</u>       | <u>121,155</u>        | <u>196,154</u>      |
| <b>Total Non-Current Liabilities</b>                              | <u>9,497,371</u>    | <u>11,369,885</u>     | <u>20,867,256</u>   |
| <b>Total Liabilities</b>  | <u>10,302,293</u>   | <u>12,632,017</u>     | <u>22,934,310</u>   |
| <b>NET ASSETS</b>   |                     |                       |                     |
| Invested in Capital Assets, net of related debt                   | (1,197,646)         | (2,460,733)           | (3,658,379)         |
| Restricted For:   |                     |                       |                     |
| Debt Service  | 418,959             | 286,458               | 705,417             |
| Renewal and Replacement   | 3,361,767           | 1,080,298             | 4,442,065           |
| Unrestricted  | <u>664,618</u>      | <u>(17,023)</u>       | <u>647,595</u>      |
| <b>Total Net Assets</b>   | <u>\$ 3,247,698</u> | <u>\$ (1,111,000)</u> | <u>\$ 2,136,698</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

|  | Sewer               | Solid<br>Waste        | Total               |
|--|---------------------|-----------------------|---------------------|
| <b>OPERATING REVENUES</b>                    |                     |                       |                     |
| Sewer Fees                                   | \$ 8,175,601        |                       | \$ 8,175,601        |
| Solid Waste Fees                             |                     | \$ 6,729,160          | 6,729,160           |
| Municipal Solid Waste Contribution           |                     | 1,200,000             | 1,200,000           |
| Interest on Delinquent Balances              | 184,092             | 108,877               | 292,969             |
| Miscellaneous                                | 43,588              | 368,135               | 411,723             |
|  | <u>8,403,281</u>    | <u>8,406,172</u>      | <u>16,809,453</u>   |
| <b>Total Operating Revenues</b>              |                     |                       |                     |
| <b>OPERATING EXPENSES</b>                    |                     |                       |                     |
| Administration                               |                     |                       |                     |
| Board of Commissioners                       | 52,183              | 60,550                | 112,733             |
| Administrative and Executive                 | 412,457             | 435,267               | 847,724             |
| Finance and Accounting                       | 466,692             | 462,661               | 929,353             |
| Customer Service                             | 104,487             | 106,424               | 210,911             |
| Public Information                           | 135,517             | 142,405               | 277,922             |
| Information Technology                       | 203,836             | 220,231               | 424,067             |
| Human Resources                              | 121,111             | 121,582               | 242,693             |
| Cost of Providing Services                   |                     |                       |                     |
| Central Services                             | 678,048             | 692,354               | 1,370,402           |
| Sewer Operations                             | 4,645,740           |                       | 4,645,740           |
| Solid Waste Collection and Disposal          |                     | 2,844,458             | 2,844,458           |
| Bulky Waste Pick-Up                          |                     | 1,006,760             | 1,006,760           |
| Transfer Station                             |                     | 1,347,082             | 1,347,082           |
| Public Can and Street Maintenance            |                     | 127,617               | 127,617             |
| Depreciation                                 | 232,637             | 585,629               | 818,266             |
|  | <u>7,052,708</u>    | <u>8,153,020</u>      | <u>15,205,728</u>   |
| <b>Total Operating Expenses</b>              |                     |                       |                     |
| <b>OPERATING INCOME</b>                      | <u>1,350,573</u>    | <u>253,152</u>        | <u>1,603,725</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>     |                     |                       |                     |
| Interest Income                              | 174,355             | 153,272               | 327,627             |
| Interest Expenses                            | (511,241)           | (556,628)             | (1,067,869)         |
| Amortization of Costs of Issuance            | (24,871)            | (29,238)              | (54,109)            |
| Intergovernmental Grants                     |                     | 33,455                | 33,455              |
| Bad Debt Expense                             | (107,453)           | (134,621)             | (242,074)           |
|  | <u>(469,210)</u>    | <u>(533,760)</u>      | <u>(1,002,970)</u>  |
| <b>Total Non-Operating Income (Expenses)</b> |                     |                       |                     |
| <b>CHANGE IN NET ASSETS</b>                  | <u>881,363</u>      | <u>(280,608)</u>      | <u>600,755</u>      |
| <b>Total Net Assets, Beginning of Year</b>   | <u>2,366,335</u>    | <u>(830,392)</u>      | <u>1,535,943</u>    |
| <b>Total Net Assets, End of Year</b>         | <u>\$ 3,247,698</u> | <u>\$ (1,111,000)</u> | <u>\$ 2,136,698</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

|   | <u>Sewer</u>        | <u>Solid<br/>Waste</u> | <u>Total</u>         |
|---|---------------------|------------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                     |                        |                      |
| Cash Received from Customers  | \$ 8,183,131        | \$ 6,981,099           | \$ 15,164,230        |
| Cash Received from Municipality                                     |                     | 1,200,000              | 1,200,000            |
| Cash Paid to Suppliers  | (4,876,936)         | (4,558,914)            | (9,435,850)          |
| Cash Paid to Employees  | (1,753,682)         | (2,708,196)            | (4,461,878)          |
|   | <u>1,552,513</u>    | <u>913,989</u>         | <u>2,466,502</u>     |
| Net Cash Provided by Operating Activities                           |                     |                        |                      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>              |                     |                        |                      |
| Proceeds from Intergovernmental Grants                              | -                   | 33,455                 | 33,455               |
|   | <u>-</u>            | <u>33,455</u>          | <u>33,455</u>        |
| Net Cash Provided by Non-Capital Financing Activities               |                     |                        |                      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b> |                     |                        |                      |
| Principal Payment on Bonds  | (415,000)           | (220,000)              | (635,000)            |
| Acquisition of Fixed Assets   | (685,423)           | (857,798)              | (1,543,221)          |
| Interest Paid on Bonds  | (501,178)           | (443,326)              | (944,504)            |
|   | <u>(1,601,601)</u>  | <u>(1,521,124)</u>     | <u>(3,122,725)</u>   |
| Net Cash Used for Capital and<br>Related Financing Activities       |                     |                        |                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                     |                        |                      |
| Interest Received   | 174,355             | 153,272                | 327,627              |
|   | <u>174,355</u>      | <u>153,272</u>         | <u>327,627</u>       |
| Net Cash Provided by Investing Activities                           |                     |                        |                      |
| Net Increase (Decrease) in Cash and Cash Equivalents                | 125,267             | (420,408)              | (295,141)            |
| Cash and Cash Equivalents, January 1, 2005                          | <u>6,792,140</u>    | <u>6,079,952</u>       | <u>12,872,092</u>    |
| Cash and Cash Equivalents, December 31, 2005                        | <u>\$ 6,917,407</u> | <u>\$ 5,659,544</u>    | <u>\$ 12,576,951</u> |
| <b>ANALYSIS OF BALANCE AT DECEMBER 31, 2005</b>                     |                     |                        |                      |
| Unrestricted - Cash and Cash Equivalents                            | \$ 452,691          | \$ 641,210             | \$ 1,093,901         |
| Restricted - Cash and Cash Equivalents                              | <u>6,464,716</u>    | <u>5,018,334</u>       | <u>11,483,050</u>    |
|   | <u>\$ 6,917,407</u> | <u>\$ 5,659,544</u>    | <u>\$ 12,576,951</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

|  | <u>Sewer</u>        | <u>Solid<br/>Waste</u> | <u>Total</u>        |
|--|---------------------|------------------------|---------------------|
| Operating Income   | \$ 1,350,573        | \$ 253,152             | \$ 1,603,725        |
| Adjustments to Reconcile Operating Income to Net Cash      |                     |                        |                     |
| Provided by Operating Activities:                          |                     |                        |                     |
| Provision for Uncollectible Accounts                       | (107,453)           | (134,621)              | (242,074)           |
| Depreciation   | 232,637             | 585,629                | 818,266             |
| (Increase)/Decrease in Accounts Receivable                 | (28,377)            | (80,436)               | (108,813)           |
| (Increase)/Decrease in Prepaid Items                       | 29,282              | 48,193                 | 77,475              |
| (Increase)/Decrease in Other Assets                        | (2,550)             | (2,550)                | (5,100)             |
| Increase/(Decrease) in Accounts Payable                    | 142,825             | 218,710                | 361,535             |
| Increase/(Decrease) in Accrued Expenses                    | 2,017               | 2,017                  | 4,034               |
| Increase/(Decrease) in Accrued Salary and Related Benefits | (1,758)             | (5,265)                | (7,023)             |
| Increase/(Decrease) in Accrued Compensated Absences        | 19,637              | 39,176                 | 58,813              |
| Increase/(Decrease) in Other Liabilities                   | (86,120)            | (10,016)               | (96,136)            |
| Increase/(Decrease) in Escrow Deposits Payable             | 1,800               | -                      | 1,800               |
| Total Adjustments  | <u>201,940</u>      | <u>660,837</u>         | <u>862,777</u>      |
| Net Cash Provided by Operating Activities                  | <u>\$ 1,552,513</u> | <u>\$ 913,989</u>      | <u>\$ 2,466,502</u> |
| Noncash Investing, Capital and Financing Activities        |                     |                        |                     |
| Purchase of Capital Assets on Account                      | \$ 62,178           | \$ 313,752             | \$ 375,930          |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SEWER**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2004)

|   | 2005<br>Modified<br>Budget | 2005<br>Actual      | Variance<br>Excess<br>(Deficit) | 2004<br>Actual      |
|---|----------------------------|---------------------|---------------------------------|---------------------|
| <b>OPERATING REVENUES</b>               |                            |                     |                                 |                     |
| Service Charges                         | \$ 8,193,385               | \$ 8,175,601        | \$ (17,784)                     | \$ 7,781,352        |
| Interest on Delinquent Accounts         | 195,000                    | 184,092             | (10,908)                        | 196,790             |
| Miscellaneous Fees                      | <u>50,000</u>              | <u>43,588</u>       | <u>(6,412)</u>                  | <u>21,698</u>       |
| Total Operating Revenues                | <u>8,438,385</u>           | <u>8,403,281</u>    | <u>(35,104)</u>                 | <u>7,999,840</u>    |
| <b>NON-OPERATING REVENUES</b>           |                            |                     |                                 |                     |
| Interest on Investments                 | 150,000                    | 174,355             | 24,355                          | 45,831              |
| Miscellaneous                           | <u>-</u>                   | <u>-</u>            | <u>-</u>                        | <u>1,088</u>        |
| Total Non-Operating Revenues            | <u>150,000</u>             | <u>174,355</u>      | <u>24,355</u>                   | <u>46,919</u>       |
| <b>UNRESTRICTED NET ASSETS UTILIZED</b> | <u>54,060</u>              | <u>54,060</u>       | <u>-</u>                        | <u>-</u>            |
| Total Sewer Revenues                    | <u>\$ 8,642,445</u>        | <u>\$ 8,631,696</u> | <u>\$ (10,749)</u>              | <u>\$ 8,046,759</u> |
| <b>OPERATING APPROPRIATIONS</b>         |                            |                     |                                 |                     |
| <b>ADMINISTRATION</b>                   |                            |                     |                                 |                     |
| Salaries and Wages                      | \$ 815,429                 | \$ 802,357          | \$ 13,072                       | \$ 777,911          |
| Fringe Benefits                         | 287,260                    | 282,530             | 4,730                           | 232,539             |
| Other Expenses                          | <u>396,928</u>             | <u>411,396</u>      | <u>(14,468)</u>                 | <u>404,689</u>      |
| Total Administration                    | <u>1,499,617</u>           | <u>1,496,283</u>    | <u>3,334</u>                    | <u>1,415,139</u>    |
| <b>COST OF PROVIDING SERVICES</b>       |                            |                     |                                 |                     |
| Salaries and Wages                      | 1,057,008                  | 990,123             | 66,885                          | 1,024,192           |
| Fringe Benefits                         | 395,368                    | 362,920             | 32,448                          | 313,758             |
| Other Expenses                          | <u>3,903,727</u>           | <u>3,970,745</u>    | <u>(67,018)</u>                 | <u>3,715,252</u>    |
| Total Cost of Providing Services        | <u>5,356,103</u>           | <u>5,323,788</u>    | <u>32,315</u>                   | <u>5,053,202</u>    |
| <b>NON-OPERATING APPROPRIATIONS</b>     |                            |                     |                                 |                     |
| Interest Payments on Debt               | 501,178                    | 501,178             |                                 | 447,853             |
| Principal Payments on Debt              | 415,000                    | 415,000             |                                 | 320,000             |
| Renewal and Replacement Reserves        | 710,547                    | 710,547             |                                 | 751,220             |
| Other Reserves                          | <u>125,000</u>             | <u>107,453</u>      | <u>17,547</u>                   | <u>345,995</u>      |
| Total Non-Operating Appropriations      | <u>1,751,725</u>           | <u>1,734,178</u>    | <u>17,547</u>                   | <u>1,865,068</u>    |
| <b>CAPITAL OUTLAY</b>                   | <u>35,000</u>              | <u>50,569</u>       | <u>(15,569)</u>                 | <u>74,349</u>       |
| Total Appropriations                    | <u>\$ 8,642,445</u>        | <u>\$ 8,604,818</u> | <u>\$ 37,627</u>                | <u>\$ 8,407,758</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**SOLID WASTE**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**BUDGETARY BASIS**  
(With Comparative Amounts for the Year Ended December 31, 2004)

|   | 2005<br>Modified<br>Budget | 2005<br>Actual      | Variance<br>Excess (Deficit) | 2004<br>Actual      |
|---|----------------------------|---------------------|------------------------------|---------------------|
| <b>OPERATING REVENUES</b>               |                            |                     |                              |                     |
| Service Charges                         | \$ 6,721,674               | \$ 6,729,160        | \$ 7,486                     | \$ 5,825,120        |
| Municipal Solid Waste Contribution      | 1,200,000                  | 1,200,000           |                              | 1,200,000           |
| Interest on Delinquent Accounts         | 129,000                    | 108,877             | (20,123)                     | 117,764             |
| Miscellaneous Fees                      | 374,074                    | 368,135             | (5,939)                      | 371,402             |
| Total Operating Revenues                | <u>8,424,748</u>           | <u>8,406,172</u>    | <u>(18,576)</u>              | <u>7,514,286</u>    |
| <b>NON-OPERATING REVENUES</b>           |                            |                     |                              |                     |
| Interest on Investments                 | 124,000                    | 153,272             | 29,272                       | 49,928              |
| Intergovernmental Grant                 | 33,455                     | 33,455              |                              | 42,042              |
| Miscellaneous                           |                            |                     |                              | 1,088               |
| Reserve for Renewal and Replacement     | -                          | -                   | -                            | 99,215              |
| Total Non-Operating Revenues            | <u>157,455</u>             | <u>186,727</u>      | <u>29,272</u>                | <u>192,273</u>      |
| <b>UNRESTRICTED NET ASSETS UTILIZED</b> |                            |                     |                              |                     |
| Total Solid Waste Revenues              | <u>8,759,437</u>           | <u>8,770,133</u>    | <u>10,696</u>                | <u>7,706,559</u>    |
| <b>OPERATING APPROPRIATIONS</b>         |                            |                     |                              |                     |
| <b>ADMINISTRATION</b>                   |                            |                     |                              |                     |
| Salaries and Wages                      | \$ 810,429                 | \$ 799,881          | \$ 10,548                    | \$ 774,261          |
| Fringe Benefits                         | 284,260                    | 282,536             | 1,724                        | 232,538             |
| Other Expenses                          | 442,178                    | 466,703             | (24,525)                     | 481,638             |
| Total Administration                    | <u>1,536,867</u>           | <u>1,549,120</u>    | <u>(12,253)</u>              | <u>1,488,437</u>    |
| <b>COST OF PROVIDING SERVICES</b>       |                            |                     |                              |                     |
| Salaries and Wages                      | 1,954,318                  | 1,942,226           | 12,092                       | 1,885,545           |
| Fringe Benefits                         | 737,925                    | 752,223             | (14,298)                     | 657,435             |
| Other Expenses                          | 3,208,340                  | 3,323,822           | (115,482)                    | 2,843,334           |
| Total Cost of Providing Services        | <u>5,900,583</u>           | <u>6,018,271</u>    | <u>(117,688)</u>             | <u>5,386,314</u>    |
| <b>NON-OPERATING APPROPRIATIONS</b>     |                            |                     |                              |                     |
| Principal Payment on Debt               | 220,000                    | 220,000             |                              | 185,000             |
| Interest Payment on Debt                | 443,325                    | 443,325             |                              | 387,019             |
| Renewal and Replacement Reserves        | 502,020                    | 502,020             |                              |                     |
| Other Reserves                          | 121,642                    | 134,621             | (12,979)                     | 257,855             |
| Total Non-Operating Appropriations      | <u>1,286,987</u>           | <u>1,299,966</u>    | <u>(12,979)</u>              | <u>829,874</u>      |
| <b>CAPITAL OUTLAY</b>                   |                            |                     |                              |                     |
| Total Appropriations                    | <u>35,000</u>              | <u>55,323</u>       | <u>(20,323)</u>              | <u>243,032</u>      |
| Total Appropriations                    | <u>\$ 8,759,437</u>        | <u>\$ 8,922,680</u> | <u>\$ (163,243)</u>          | <u>\$ 7,947,657</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**ROSTER OF OFFICIALS**

**AS OF DECEMBER 31, 2005**

Authority Board Members

Position

|                             |                  |
|-----------------------------|------------------|
| Carol Ann Brokaw, Esq.      | Chairperson      |
| David M. Beck               | Vice Chairperson |
| Philip S. Bartlett          | Treasurer        |
| Nathaniel E. Singleton, Jr. | Secretary        |
| James C. Green              | Commissioner     |
| Wilbert Gill (Alternate)    | Commissioner     |
| Jo-Ann Sloane (Alternate)   | Commissioner     |

Authority Executive Staff

|                |   |
|----------------|---|
| Eric C. Watson | Executive Director  |
| David W. Ervin | Assistant Executive Director                                  |
| James R. Perry | Chief Financial Officer &<br>Director of Financial Operations |
| Louis E. Jones | Director of Central Services                                  |
| Duane D. Young | Comptroller   |

Consultants and Advisors

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

**GOVERNMENT AUDITING STANDARDS REPORT**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JOSEPH F. KELLY, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA

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

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

We have audited the financial statements of the Plainfield Municipal Utilities Authority as of and for the year ended December 31, 2005, and have issued our report thereon dated March 29, 2006. 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 Plainfield Municipal Utilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Plainfield Municipal Utilities Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, 2005-3 and 2005-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions identified above, we considered items 2005-1, 2005-2 and 2005-3 to be material weaknesses.


### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plainfield Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, 2005-3 and 2005-4.

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".

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

*Lerch, Vinci & Higgins, LLP*  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Jeffrey C. Bliss  
Registered Municipal Accountant  
RMA Number CR00429

Fair Lawn, New Jersey  
March 29, 2006

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS OF NON-COMPLIANCE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Finding 05-1:**

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

**Criteria or Specific Requirement:**

Local Public Contracts Law.

**Condition:**

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

**Questioned Costs:**

Unknown.

**Context:**

Services rendered under two (2) "not to exceed" contracts exceeded the maximum amounts approved for the contract period.

**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.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS OF NON-COMPLIANCE (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Finding 05-2:**

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

**Criteria or Specific Requirement:**

Local Public Contracts Law.

**Condition:**

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

**Questioned Costs:**

Unknown.

**Context:**

Payments for transportation services totalling approximately \$129,000 exceeded the bid threshold.

**Effect:**

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

**Recommendation:**

Continued efforts be made to ensure bids be publicly advertised for services which exceed the bid threshold.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS OF NON-COMPLIANCE (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Finding 05-3:**

Our audit revealed certain vendor invoices were not submitted directly to accounts payable for processing in a timely manner.

**Criteria or Specific Requirement:**

Internal Control Procedures and Authority Purchasing Manual

**Condition:**

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

**Questioned Costs:**

None. Financial Statements have been adjusted.

**Context:**

Invoices from certain vendors totaling approximately \$235,000 for services rendered over several months were not submitted directly to accounts payable for processing and, therefore, were not recorded as expenses in a timely manner.

**Effect:**

Unrecorded liabilities and expenses may exist which are material to the financial statements.

**Recommendation:**

Internal controls be reviewed and enhanced to ensure vendor invoices are submitted directly to accounts payable for processes in a timely manner.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS OF NON-COMPLIANCE (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Finding 05-4:**

Our audit revealed that, in certain instances, goods and/or services were ordered prior to the issuance of an approved purchase order.

**Criteria or Specific Requirement:**

Technical Accounting Directive No. 85-1, "Encumbrance Accounting" and Authority Purchasing Manual.

**Condition:**

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

**Questioned Costs:**

None.

**Context:**

Various goods and services are ordered directly by Authority personnel without obtaining an approved purchase order.

**Effect:**

Purchases may occur which are not authorized by appropriate Authority personnel.

**Recommendation:**

The Authority implement an on-line purchase requisition system which is integrated with its existing purchasing and budget software to ensure goods and services are ordered only upon the issuance of an approved purchase order.

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
OF NON-COMPLIANCE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 04-1:**

The Bond Service Reserve Account cash balance for the solid waste system was below the minimum requirement at December 31, 2004.

**Current Status:**

Corrective action has been taken.

**Finding 04-2:**

Expenses were incurred by the Authority which were in excess of the amounts available in the respective system's budget appropriation line items.

**Current Status**

Corrective action has been taken.

**Finding 04-3:**

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

**Current Status:**

See Finding 2005-1.

**GENERAL COMMENTS AND RECOMMENDATIONS**



**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY  
GENERAL COMMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Our audit revealed the Renewal and Replacement Reserve account cash balances were below the minimum requirement at December 31, 2005. However, we did note that subsequent to year end, all deficiencies noted at December 31, 2005 were funded on March 6, 2006 by the Authority; therefore, no recommendation is warranted.

Our audit revealed that contracts which were awarded through the use of State contract vendors were not approved in the minutes. It is recommended that contracts awarded to State contract vendors be formally approved in the minutes.

Our audit of collections at the transfer station revealed daily customer/material reports presented for audit did not appear to include all activities for each respective day. In addition, we noted instances where certain customers did not appear to pay their respective solid waste gate charge for services rendered. It is recommended that daily customer/material reports include all transfer station activity and they be reconciled to their financial transaction type (ie, cash collections, billed on account or unbillable) on a daily basis. In addition, internal procedures be reviewed and revised to strengthen collection procedures over solid waste gate charges.

Our audit of the Capital Assets revealed numerous old projects remain in construction in progress. It is recommended that a review be performed of all project costs in construction in progress and determination be made to its proper classification.

Our audit noted numerous instances whereby emergency contracts or purchases were authorized and approved in lieu of publicly advertising for bids. It is recommended that purchasing procedures be reviewed and revised to limit the number of emergency contracts and purchases authorized during the year.

Suggestions to Management

- The Authority review the container inventory and identify the location or disposition of each sequentially numbered container.
- The Authority consider revising its policy requiring only one signature on checks under \$2,000 to require at least two signatures on all checks.

Appreciation

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

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**RECOMMENDATIONS**

It is recommended that:


- \* 1. 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.
- 2. Continued efforts be made to ensure bids be publicly advertised for services which exceed the bid threshold.
- 3. Internal controls be reviewed and enhanced to ensure vendor invoices are submitted directly to accounts payable for processing in a timely manner.
- 4. The Authority implement an on-line purchasing requisition system which is integrated with its existing purchasing and budget software to ensure goods and services are ordered only upon the issuance of an approved purchase order.
- \* 5. Contracts awarded to State contract vendors be formally approved in the minutes.
- 6. With respect to the Transfer Station operations:
  - Daily customer/material reports include all transfer station activity and they be reconciled to their financial transaction type (ie, cash collections, billed on account or unbillable) on a daily basis.
  - Internal procedures be reviewed and revised to strengthen collection procedures over solid waste gate charges.
- 7. A review be performed of all project costs in construction in progress and determination be made to its proper classification.
- 8. Purchasing procedures to be reviewed and revised to limit the number of emergency contracts and purchases authorized during the year.

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

\* \* \* \* \*

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

*Lerch, Vinci & Higgins, LLP*  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Jeffrey C. Bliss  
Registered Municipal Accountant  
RMA Number CR00429

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

**SYNOPSIS OF AUDIT**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2005**

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**AS OF DECEMBER 31, 2005 AND 2004**

|   | <u>2005</u>        | <u>2004</u>        |
|---|--------------------|--------------------|
| <b>ASSETS</b>   |                    |                    |
| Unrestricted Current Assets                               |                    |                    |
| Cash and Cash Equivalents                                 | \$ 1,093,901       | \$ 1,215,421       |
| Accounts Receivable (net of allowance for uncollectibles) | 3,529,082          | 3,420,269          |
| Prepaid Items   | 5,557              | 83,032             |
| Other Assets  | <u>24,120</u>      | <u>19,020</u>      |
| Total Unrestricted Current Assets                         | <u>4,652,660</u>   | <u>4,737,742</u>   |
| Restricted Current Assets                                 |                    |                    |
| Revenue Account   |                    |                    |
| Cash Equivalents  | 194,124            | 75,930             |
| General Fund Account                                      |                    |                    |
| Cash Equivalents  | 28,901             | 28,901             |
| Developers Escrow Account                                 |                    |                    |
| Cash  | 5,465              | 3,604              |
| Revenue Bond Service Account                              |                    |                    |
| Cash Equivalents  | 935,015            | 776,163            |
| Revenue Bond Reserve Account                              |                    |                    |
| Cash Equivalents  | 2,378,846          | 2,378,846          |
| Revenue Bond Construction Account                         |                    |                    |
| Cash Equivalents  | 3,823,699          | 5,017,749          |
| Revenue Bond Cost of Issuance Account                     |                    |                    |
| Cash Equivalents  | 41,866             | 41,085             |
| Renewal and Replacement Account                           |                    |                    |
| Cash Equivalents  | <u>4,075,134</u>   | <u>3,334,393</u>   |
| Total Restricted Current Assets                           | <u>11,483,050</u>  | <u>11,656,671</u>  |
| Total Current Assets                                      | <u>16,135,710</u>  | <u>16,394,413</u>  |
| Noncurrent Assets   |                    |                    |
| Deferred Charges  |                    |                    |
| Debt Issuance Costs (net of amortization)                 | <u>646,566</u>     | <u>700,675</u>     |
| Capital Assets  |                    |                    |
| Land  | 1,066,076          | 723,639            |
| Land Improvements   | 2,150              | 2,150              |
| Buildings and Building Improvements                       | 711,815            | 711,815            |
| Leasehold Improvements                                    | 3,174,230          | 3,103,700          |
| Property and Equipment                                    | 6,055,477          | 5,835,233          |
| Construction in Progress                                  | 2,056,222          | 1,095,077          |
| Accumulated Depreciation                                  | <u>(4,777,238)</u> | <u>(3,958,972)</u> |
| Total Capital Assets (net of accumulated depreciation)    | <u>8,288,732</u>   | <u>7,512,642</u>   |
| Total Noncurrent Assets                                   | <u>8,935,298</u>   | <u>8,213,317</u>   |
| Total Assets  | <u>25,071,008</u>  | <u>24,607,730</u>  |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**AS OF DECEMBER 31, 2005 AND 2004**

|  | <u>2005</u>         | <u>2004</u>         |
|--|---------------------|---------------------|
| <b>LIABILITIES</b>   |                     |                     |
| Current Liabilities (Payable from Unrestricted Assets)     |                     |                     |
| Accounts Payable   | \$ 806,295          | \$ 695,133          |
| Accrued Expenses   | 20,570              | 16,536              |
| Accrued Salary and Related Benefits                        | 36,888              | 43,911              |
| Accrued Compensated Absences                               | 21,795              | 15,914              |
| Other Liabilities  | <u>53,502</u>       | <u>149,638</u>      |
| Total Current Liabilities Payable from Unrestricted Assets | <u>939,050</u>      | <u>921,132</u>      |
| Current Liabilities (Payable from Restricted Assets)       |                     |                     |
| Accounts Payable   | 375,930             | 74,421              |
| Revenue Bonds Payable                                      | 665,000             | 635,000             |
| Accrued Interest on Bonds                                  | 82,552              | 84,456              |
| Escrow Deposits Payable                                    | <u>4,522</u>        | <u>2,722</u>        |
| Total Current Liabilities Payable from Restricted Assets   | <u>1,128,004</u>    | <u>796,599</u>      |
| Total Current Liabilities                                  | <u>2,067,054</u>    | <u>1,717,731</u>    |
| Non-Current Liabilities                                    |                     |                     |
| Revenue Bonds Payable (Net of Unamortized Discounts)       | 20,671,102          | 21,210,834          |
| Accrued Compensated Absences                               | <u>196,154</u>      | <u>143,222</u>      |
| Total Non-Current Liabilities                              | <u>20,867,256</u>   | <u>21,354,056</u>   |
| Total Liabilities  | <u>22,934,310</u>   | <u>23,071,787</u>   |
| <b>NET ASSETS</b>  |                     |                     |
| Invested in Capital Assets, net of related debt            | (3,658,379)         | (3,043,966)         |
| Restricted For:  |                     |                     |
| Debt Service   | 705,417             | 705,297             |
| Renewal and Replacement                                    | 4,442,065           | 3,229,498           |
| Unrestricted   | <u>647,595</u>      | <u>645,114</u>      |
| Total Net Assets   | <u>\$ 2,136,698</u> | <u>\$ 1,535,943</u> |

**PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

|  | <u>2005</u>            | <u>2004</u>            |
|--|------------------------|------------------------|
| <b>OPERATING REVENUES</b>                    |                        |                        |
| Sewer Fees                                   | \$ 8,175,601           | \$ 7,781,352           |
| Solid Waste Fees                             | 6,729,160              | 5,825,120              |
| Municipal Solid Waste Contribution           | 1,200,000              | 1,200,000              |
| Interest on Delinquent Balances              | 292,969                | 314,554                |
| Miscellaneous                                | <u>411,723</u>         | <u>393,100</u>         |
| <br>Total Operating Revenues                 | <br><u>16,809,453</u>  | <br><u>15,514,126</u>  |
| <br><b>OPERATING EXPENSES</b>                |                        |                        |
| Administration                               |                        |                        |
| Board of Commissioners                       | 112,733                | 96,933                 |
| Administrative and Executive                 | 847,724                | 1,162,486              |
| Finance and Accounting                       | 929,353                | 880,314                |
| Customer Service                             | 210,911                | 193,878                |
| Public Information                           | 277,922                | 284,485                |
| Information Technology                       | 424,067                | 285,513                |
| Human Resources                              | 242,693                |                        |
| Cost of Providing Services                   |                        |                        |
| Central Services                             | 1,370,402              | 1,164,820              |
| Sewer Operations                             | 4,645,740              | 4,472,802              |
| Solid Waste Collection and Disposal          | 2,844,458              | 2,680,313              |
| Bulky Waste Pick-Up                          | 1,006,760              | 906,818                |
| Transfer Station                             | 1,347,082              | 1,148,948              |
| Public Can and Street Maintenance            | 127,617                | 65,782                 |
| Depreciation                                 | <u>818,266</u>         | <u>898,678</u>         |
| <br>Total Operating Expenses                 | <br><u>15,205,728</u>  | <br><u>14,241,770</u>  |
| <br><b>OPERATING INCOME</b>                  | <br><u>1,603,725</u>   | <br><u>1,272,356</u>   |
| <br><b>NON-OPERATING REVENUES (EXPENSES)</b> |                        |                        |
| Interest Income                              | 327,627                | 95,759                 |
| Interest Expenses                            | (1,067,869)            | (1,005,296)            |
| Amortization of Costs of Issuance            | (54,109)               | (54,109)               |
| Intergovernmental Grants                     | 33,455                 | 42,042                 |
| Bad Debt Expense                             | (242,074)              | (449,917)              |
| Miscellaneous                                | <u>-</u>               | <u>2,176</u>           |
| <br>Total Non-Operating Income (Expenses)    | <br><u>(1,002,970)</u> | <br><u>(1,369,345)</u> |
| <br><b>CHANGE IN NET ASSETS</b>              | <br>600,755            | <br>(96,989)           |
| Total Net Assets, January 1                  | <u>1,535,943</u>       | <u>1,632,932</u>       |
| Total Net Assets, December 31                | <u>\$ 2,136,698</u>    | <u>\$ 1,535,943</u>    |

## **PLAINFIELD MUNICIPAL UTILITIES AUTHORITY**

### **RECOMMENDATIONS**

It is recommended that:

1. 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.
2. Continued efforts be made to ensure bids be publicly advertised for services which exceed the bid threshold.
3. Internal controls be reviewed and enhanced to ensure vendor invoices are submitted directly to accounts payable for processing in a timely manner.
4. The Authority implement an on-line purchasing requisition system which is integrated with its existing purchasing and budget software to ensure goods and services are ordered only upon the issuance of an approved purchase order.
5. Contracts awarded to State contract vendors be formally approved in the minutes.
6. With respect to the Transfer Station operations:
  - Daily customer/material reports include all transfer station activity and they be reconciled to their financial transaction type (ie, cash collections, billed on account or unbillable) on a daily basis.
  - Internal procedures be reviewed and revised to strengthen collection procedures over solid waste gate charges.
7. A review be performed of all project costs in construction in progress and determination be made to its proper classification.
8. Purchasing procedures to be reviewed and revised to limit the number of emergency contracts and purchases authorized during the year.