

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**

**Financial Statements and Supplementary Schedules**

**For the years ended June 30, 2017 and 2016**

**(With Independent Auditor's Report thereon)**

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Financial Statements and Supplementary Schedules**  
**For the years ended June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners of  
Plumsted Township Municipal Utilities Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Plumsted Township Municipal Utilities Authority, a component unit of the Township of Plumsted, County of Ocean, State of New Jersey, as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Plumsted Township Municipal Utilities Authority, a component unit of the Township of Plumsted, County of Ocean, State of New Jersey as of June 30, 2017 and 2016 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Authority's share of the net pension liability – Public Employees' Retirement System, and schedule of Authority contributions – Public Employees' Retirement System, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plumsted Township Municipal Utilities Authority's basic financial statements. The other supplementary information, such as the accompanying schedule of revenues and costs compared to budget, is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying schedule of revenues and costs compared to budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues and costs compared to budget is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 on our consideration of the Plumsted Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plumsted Township Municipal Utilities Authority's internal control over financial reporting and compliance.

**HOLMAN FRENIA ALLISON, P.C.**

*Certified Public Accountants*

October 16, 2017  
Toms River, New Jersey

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

The Board of Commissioners of  
Plumsted Township Municipal Utilities Authority

We have audited, in accordance with the 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 and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Plumsted Township Municipal Utilities Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Plumsted Township Municipal Utilities Authority's basic financial statements and have issued our report thereon dated October 16, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Plumsted Township Municipal Utilities Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plumsted Township Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Plumsted Township Municipal Utilities Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Plumsted Township 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

October 16, 2017  
Toms River, New Jersey

# Plumsted Municipal Utilities Authority

Walter C. Bronson, Chairman  
Edward J. Weirsky, Jr., Vice Chairman  
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Ronald S. Dancer, Member  
Harry E. Miller, Member  
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## Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Plumsted Township Municipal Utilities Authority's (the Authority) financial activities for the fiscal years ended June 30, 2017 and 2016 and as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

## Financial Statements

The financial statements included in this report are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows for the years ended June 30, 2017 and 2016.

The Statements of Net Position show the financial position of the Authority at June 30th of each year. Assets and deferred outflows of resources are compared with liabilities and net position is the result.

The Statements of Revenues, Expenses and Changes in Net Position measure performance for each year and how this performance impacts net position.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the two years.

## Condensed Financial Information

Key Authority Financial Information for the years 2017, 2016, and 2015 include the following balances:

### Financial Position:

	June 30, 2017	June 30, 2016	June 30, 2015	2017-2016		2016-2015	
				Increase/(Decrease)		Increase/(Decrease)	
				\$	%	\$	%
Current and Other Assets	\$ 176,045.08	\$ 121,408.17	\$ 125,795.72	\$ 54,636.91	45.0%	\$ (4,387.55)	-3.5%
Capital Assets	242,863.33	239,749.65	239,349.65	3,113.68	1.3%	400.00	0.2%
Total Assets	418,908.41	361,157.82	365,145.37	57,750.59	16.0%	(3,987.55)	-1.09%
Deferred Outflow of Resources	195,289.00	172,048.00	7,855.00	23,241.00	13.5%	164,193.00	2090.30%
Total Assets and Deferred Outflow of Resources	\$ 614,197.41	\$ 533,205.82	\$ 373,000.37	\$ 80,991.59	15.2%	\$ 160,205.45	42.95%
Current Liabilities	93,129.56	65,024.22	76,464.94	28,105.34	43.2%	\$ (11,440.72)	-15.0%
Long-Term Liabilities	282,274.00	205,098.00	-	77,176.00	37.6%	205,098.00	
Total Liabilities	375,403.56	270,122.22	76,464.94	105,281.34	39.0%	193,657.28	253.3%
Deferred Inflow of Resources	-	3,298.00	-	(3,298.00)		3,298.00	
Net Investment in Capital Assets	242,863.33	239,749.65	239,349.65	3,113.68	1.3%	400.00	0.2%
Unrestricted	(4,069.48)	20,035.95	57,185.78	(24,105.43)	-120.3%	(37,149.83)	-65.0%
Total Net Position	238,793.85	259,785.60	296,535.43	(20,991.75)	-8.1%	(36,749.83)	-12.4%
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 614,197.41	\$ 533,205.82	\$ 373,000.37	\$ 80,991.59	15.2%	\$ 160,205.45	43.0%



## Revenues, Expenses and Changes in Net Position:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>2017-2016</u>		<u>2016-2015</u>	
				<u>Increase/(Decrease)</u>		<u>Increase/(Decrease)</u>	
	\$			\$	%	\$	%
<u>Operating Revenues</u>							
Service Fees	\$ 370,258.95	\$ 365,318.47	\$ 339,334.66	\$ 4,940.48	1.4%	\$ 25,983.81	7.7%
Other	308.00	40.00	60.00	268.00	670.0%	(20.00)	-33.3%
<u>Non-Operating Revenues</u>							
Local subsidies and donations	57,689.00	35,867.00	-	21,822.00	60.8%	35,867.00	
Interest Income	211.91	254.82	415.27	(42.91)	-16.8%	(160.45)	-38.6%
Miscellaneous	296.00	1,719.70	6,572.93	(1,423.70)	-82.8%	(4,853.23)	-73.8%
Total Revenue	<u>428,763.86</u>	<u>403,199.99</u>	<u>346,382.86</u>	<u>25,563.87</u>	<u>6.3%</u>	<u>56,817.13</u>	<u>16.4%</u>
<u>Operating Expenses</u>							
Administration	149,124.66	146,661.98	107,491.87	2,462.68	1.7%	39,170.11	36.4%
Cost of providing services	<u>300,630.95</u>	<u>293,287.84</u>	<u>268,706.48</u>	<u>7,343.11</u>	<u>2.5%</u>	<u>24,581.36</u>	<u>9.1%</u>
Total Expenses	<u>449,755.61</u>	<u>439,949.82</u>	<u>376,198.35</u>	<u>9,805.79</u>	<u>2.2%</u>	<u>63,751.47</u>	<u>16.9%</u>
Change in Net Position	(20,991.75)	(36,749.83)	(29,815.49)	15,758.08	-42.9%	(6,934.34)	23.3%
Beginning Net Position	<u>259,785.60</u>	<u>296,535.43</u>	<u>326,350.92</u>	<u>(36,749.83)</u>	<u>-12.4%</u>	<u>(29,815.49)</u>	<u>-9.1%</u>
Ending Net Position	<u>\$ 238,793.85</u>	<u>\$ 259,785.60</u>	<u>\$ 296,535.43</u>	<u>\$ (20,991.75)</u>	<u>-8.1%</u>	<u>\$ (36,749.83)</u>	<u>-12.4%</u>

During the year ended June 30, 2017, current assets increased by \$54,636.91. This increase was due to the Authority receiving an escrow deposit in the amount of \$27,120.00 for site review and inspections and also an increase in non-operating revenues during the year. These revenues were the result of local subsidies and permit application fees regarding the construction of the new wastewater treatment facility.

During the year ended June 30, 2017, current liabilities increased by \$28,105.34 as a result of the reserve for escrow discussed above. Net pension liability increased to \$282,274.00 due to the adjustment of actuarial numbers from the State of New Jersey as a result of the adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions in prior year.

The Authority's total net position decreased \$20,991.75 during 2017 when compared to 2016 and decreased \$36,749.83 during 2016 when compared to 2015 due to the change in net position, as shown above.

In 2017, operating revenues increased by \$5,208.48 and non-operating revenues increased by \$20,355.39 for a total revenue increase of \$25,563.87 when compared to 2016. In 2016, operating revenues increased by \$25,963.81 and non-operating revenues increased by \$32,828.20 for a total revenue increase of \$56,817.13 when compared to 2015. Changes in service charges are a function of the number of solid waste customers while other operating revenues fluctuate depending upon the number and type of applications filed. Local subsidies are received from the Township either through its budget appropriation or capital improvement authorization.

The Authority's operating expenses increased by \$9,805.79 in 2017 when compared to 2016 mainly due to an increase in the costs of solid waste collection and disposal in 2017. The Authority's operating expenses increased by \$63,751.47 in 2016 when compared to 2015 mainly due to an increase in the costs of solid waste collection and disposal in 2016.

## Financial Contact

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 121 Evergreen Road, New Egypt, New Jersey 08533 during the Authority's business hours.

**PLUMSTED MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Statements of Net Position**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 56,375.92	\$ 36,570.45
Accounts receivable	78,126.91	84,837.72
Miscellaneous receivable	14,422.25	-
Total current unrestricted assets	<u>148,925.08</u>	<u>121,408.17</u>
Restricted assets:		
Escrow deposits - cash and cash equivalents	<u>27,120.00</u>	<u>-</u>
Total current restricted assets	<u>27,120.00</u>	<u>-</u>
Total current assets	<u>176,045.08</u>	<u>121,408.17</u>
Property, plant and equipment, net	<u>242,863.33</u>	<u>239,749.65</u>
Total assets	<u>418,908.41</u>	<u>361,157.82</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	<u>195,289.00</u>	<u>172,048.00</u>
Total deferred outflow of resources	<u>195,289.00</u>	<u>172,048.00</u>
Total assets and deferred outflow of resources	<u><u>\$ 614,197.41</u></u>	<u><u>\$ 533,205.82</u></u>
<b>LIABILITIES</b>		
Current liabilities paid from unrestricted assets:		
Accounts payable	\$ 62,987.71	\$ 62,060.40
Compensated absences	398.16	520.56
Accrued payroll	2,623.69	2,443.26
Total current liabilities paid from unrestricted assets	<u>66,009.56</u>	<u>65,024.22</u>
Current liabilities paid from restricted assets:		
Reserve for escrow and inspection deposits	<u>27,120.00</u>	<u>-</u>
Total current liabilities paid from restricted assets	<u>27,120.00</u>	<u>-</u>
Non-current unrestricted liabilities:		
Net pension liability	<u>282,274.00</u>	<u>205,098.00</u>
Total non-current unrestricted liabilities	<u>282,274.00</u>	<u>205,098.00</u>
Total liabilities	<u>375,403.56</u>	<u>270,122.22</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	<u>-</u>	<u>3,298.00</u>
Total deferred inflow of resources	<u>-</u>	<u>3,298.00</u>
<b>NET POSITION</b>		
Net investment in capital assets	242,863.33	239,749.65
Unrestricted net position	<u>(4,069.48)</u>	<u>20,035.95</u>
Total net position	<u>238,793.85</u>	<u>259,785.60</u>
Total liabilities, deferred inflow of resources and net position	<u><u>\$ 614,197.41</u></u>	<u><u>\$ 533,205.82</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**PLUMSTED MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Service fees	\$ 370,258.95	\$ 365,318.47
Other operating revenue	308.00	40.00
Total operating revenues	<u>370,566.95</u>	<u>365,358.47</u>
Operating expenses:		
Adminstration	149,124.66	146,661.98
Cost of providing services	300,630.95	293,287.84
Total operating expenses	<u>449,755.61</u>	<u>439,949.82</u>
Net loss from operations	<u>(79,188.66)</u>	<u>(74,591.35)</u>
Non-operating revenues (expenses):		
Local subsidies and donations	57,689.00	35,867.00
Investment income	211.91	254.82
Miscellaneous income	296.00	1,719.70
Total non-operating revenues (expenses)	<u>58,196.91</u>	<u>37,841.52</u>
Change in net position	(20,991.75)	(36,749.83)
Net position, July 1,	<u>259,785.60</u>	<u>296,535.43</u>
Net position, June 30,	<u>\$ 238,793.85</u>	<u>\$ 259,785.60</u>

The accompanying notes to the financial statements are an integral part of this statement.

**PLUMSTED MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Statements of Cash Flows**  
**For the years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Cash received from service users	\$ 362,547.51	\$ 347,047.17
Cash paid to suppliers and employees	(398,133.27)	(407,187.54)
Other receipts/(payments)	308.00	40.00
Net cash flows from operating activities	<u>(35,277.76)</u>	<u>(60,100.37)</u>
 <b>Cash flows from investing activities:</b>		
Acquisition and construction of property, plant and equipment	(3,113.68)	(400.00)
Interest received	211.91	254.82
Net cash flows from investing activities	<u>(2,901.77)</u>	<u>(145.18)</u>
 <b>Cash flows from noncapital financing activities:</b>		
Local subsidies and donations	57,689.00	35,867.00
Escrow deposits	27,120.00	-
Other receipts/(payments)	296.00	1,719.70
Net cash flows from noncapital financing activities	<u>85,105.00</u>	<u>37,586.70</u>
 Change in cash	46,925.47	(22,658.85)
Cash and cash equivalents, July 1	<u>36,570.45</u>	<u>59,229.30</u>
Cash and cash equivalents, June 30	<u>\$ 83,495.92</u>	<u>\$ 36,570.45</u>
 <b>Reconciliation to Statements of Net Position:</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 56,375.92	\$ 36,570.45
Cash and cash equivalents - restricted	27,120.00	-
Total cash and cash equivalents, June 30	<u>\$ 83,495.92</u>	<u>\$ 36,570.45</u>
 <b>Reconciliation of net income to cash flows from operating activities:</b>		
Net change from operations	\$ (79,188.66)	\$ (74,591.35)
Items which did not use cash:		
Unbudgeted pension expense	50,637.00	36,348.00
Working capital changes which provided (used) cash:		
Accounts receivable	(7,711.44)	(18,271.30)
Accounts payable	927.31	(5,926.20)
Due from employee	180.43	2,443.26
Accrued expenses	(122.40)	(102.78)
Net cash flows from operating activities	<u>\$ (35,277.76)</u>	<u>\$ (60,100.37)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2017 and 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

**A. Reporting Entity**

The Plumsted Township Municipal Utilities Authority (the “Authority”), a public body corporate and politic of the Township of Plumsted, County of Ocean, State of New Jersey, was organized and exists under the Municipal and County Utilities Law, constituting Chapter 183 of the Laws of the State of New Jersey of 1957 and was created by an ordinance of the Mayor and Committee of the Township of Plumsted adopted June 29, 1990. The Authority members are appointed by the Township Committee for terms of five years.

**B. Basis of Accounting**

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (“GAAP”) applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

**Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amount.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Cash and Cash Equivalents**

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the Act.

The Authority has established a restricted cash escrow account for advance payments and deposits required as a condition for the Authority to commence engineering reviews and inspections on new development. Funds held for reviews and inspections become earned revenues of the Authority as the services are performed and amounts remaining at project completion, including a portion of interest earnings, are returned to the developer.

**D. Property, Plant and Equipment**

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses, and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

Furniture and equipment	3 – 5 years
Site improvements	15 years
New buildings	40 years

The Authority has established a capitalization threshold of \$1,000.

**E. Compensated Absences**

Compensated absences represent amounts to which employees are entitled to, based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. For the years ended June 30, 2017 and 2016, the Authority accrued compensated absences in the amount of \$398.16 and \$520.56.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Operating Revenues and Expenses**

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

**G. Equity Classifications**

Equity is classified as net position and can be displayed in three components as follows:

Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Authority does not have any restricted net position as of the end of the year.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

**H. Budgets and Budgetary Accounting**

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

**I. Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Pensions Section**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**K. Restricted Accounts**

The Authority has established restricted use accounts as follows:

Escrow Account - Advance payments and deposits required as a condition for the Authority to commence engineering reviews and inspections on new development, and cash in lieu of bonds required by the Authority. Monies held for reviews and inspections become earned revenues of the Authority as the services are performed, and amounts remaining at project completion, including a portion of interest earnings, are returned to the developer. Cash held in lieu of bonds is refunded in the same manner, and following the same procedures, as those for the release of bonds required by the Authority.

**L. Impact of Recently Issued Accounting Principles**

Adopted Accounting Pronouncements

The Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Authority is required to measure certain investments at fair value for financial reporting purposes. In addition, the Authority is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-



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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Impact of Recently Issued Accounting Principles (Continued)**

Adopted Accounting Pronouncements (Continued)

period equity, and creating additional transparency. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Impact of Recently Issued Accounting Principles (Continued)**

Recently Issued Accounting Pronouncements (continued)

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended June 30, 2019. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended June 30, 2020. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. This Statement will be effective for the year ended June 30, 2021. Management has not yet determined the potential impact on the Authority's financial statements.

**M. Subsequent Events**

The Authority has evaluated subsequent events occurring after June 30, 2017 through October 16, 2017, which is the date the financial statements were available to be issued.

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**NOTE 2: CASH AND CASH EQUIVALENTS**

The Authority is governed by the deposit limitations of New Jersey state law. The deposits held at June 30, 2017, and 2016 reported at fair value are as follows:

	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>Deposits:</b>		
Demand deposits	\$ <u>83,495.92</u>	\$ <u>36,570.45</u>
Total deposits	\$ <u>83,495.92</u>	\$ <u>36,570.45</u>

**Reconciliation to Statements of Net Position:**

Current unrestricted assets:		
Cash and cash equivalents	\$ 56,375.92	\$ 36,570.45
Current restricted assets:		
Cash and cash equivalents	<u>27,120.00</u>	<u>0.00</u>
Total cash and cash equivalents	\$ <u>83,495.92</u>	\$ <u>36,570.45</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2017 and 2016, the Authority's bank balance of \$83,223.07 and \$36,902.10, respectively, was insured or collateralized as follows:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Insured	\$ <u>83,223.07</u>	\$ <u>59,274.82</u>
Total	\$ <u>83,223.07</u>	\$ <u>59,274.82</u>

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017 and 2016 consisted of the following:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Accounts receivable - customers	\$ <u>78,126.91</u>	\$ <u>84,837.72</u>
Total	\$ <u>78,126.91</u>	\$ <u>84,837.72</u>

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**NOTE 4: PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment at June 30<sup>th</sup> consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Construction in progress	\$ 239,749.65	\$ 3,113.68	\$ -	\$ 242,863.33
Total capital assets not being depreciated	<u>239,749.65</u>	<u>3,113.68</u>	<u>-</u>	<u>242,863.33</u>
Government activities capital assets, net	<u>\$ 239,749.65</u>	<u>\$ 3,113.68</u>	<u>\$ -</u>	<u>\$ 242,863.33</u>

**NOTE 5: PENSION OBLIGATIONS**

**A. Public Employees' Retirement System (PERS)**

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits

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**NOTE 5: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Contributions** - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources** - At June 30, 2017, the Authority reported a liability of \$282,274 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Authority's proportion measured as of June 30, 2016, was .00095%, which was an increase of .00004% from its proportion measured as of June 30, 2015.

Since the Authority's creation, there has been only one employee whom is currently still employed with the Authority. The Authority did not agree with the pension data recorded in the State of New Jersey Public Employees' Retirement System report issued on November 13, 2015 with a measurement date of June 30, 2014. As a result, in the financial statements for the year ended June 30, 2015, the Authority did not record a net pension liability or any deferred inflows related to pension. For the years ended June 30, 2017 and 2016, the Authority has adjusted the net pension liability and deferred outflows or inflows related to pension to the data recorded by the State of New Jersey Public Employees' Retirement System report issued on April 6, 2017 and April 14, 2016, with measurement dates of June 30, 2016 and 2015, with the exception of the deferred inflows related to changes in proportion. The Authority has deemed this amount to be inaccurate as it is the result of an incorrect calculation performed during the year ended June 30, 2013.

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**NOTE 5: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

For the year ended June 30, 2017, the Authority recognized pension expense of \$50,637 in the financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date. At June 30, 2017 the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	<u>PERS</u>	<u>PERS</u>
Differences between Expected and Actual Experience	\$ 5,249	\$ -
Changes of Assumptions	58,472	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	10,763	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	120,805	-
	<u>\$ 195,289</u>	<u>\$ -</u>

The amount of \$8,467 resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>PERS</u>	<u>Total</u>
2017	\$ 49,004	\$ 49,004
2018	49,004	49,004
2019	49,004	49,004
2020	37,970	37,970
2021	10,307	10,307
	<u>\$ 195,289</u>	<u>\$ 195,289</u>

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**NOTE 5: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<b>PERS</b>	
	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

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**NOTE 5: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Actuarial Assumptions** – The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions:

<b><u>PERS</u></b>	
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.



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**NOTE 5: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher.

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2017 and 2016**

**NOTE 5: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Authority's proportionate share of the net pension liability as of June 30, 2016, calculated using the discount rate of 3.98% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>PERS</b>		
	<b>1% Decrease <u>(2.98%)</u></b>	<b>Current Discount Rate <u>(3.98%)</u></b>	<b>1% Increase <u>(4.98%)</u></b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 345,894</u>	<u>\$ 282,274</u>	<u>\$ 229,750</u>

**Additional Information** - The following is a summary of the collective balances of the local group at June 30, 2017 and 2016:

Collective Balances at May 31, 2017 and May 31, 2016

	<u>6/30/2017</u>	<u>6/29/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	\$ 195,289	\$ 172,048
Deferred Inflows of Resources	\$ -	\$ 3,298
Net Pension Liability	\$ 282,274	\$ 205,098
Authority's portion of the Plan's total net pension Liability	0.00095%	0.00091%

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset)	0.00095%	0.00091%	0.00000%	0.00000%
Authority's proportionate share of the net pension liability (asset)	\$ 282,274.00	\$ 205,098.00	\$ -	\$ -
Authority's covered-employee payroll	\$ 65,132.45	\$ 66,556.90	\$ 64,521.65	N/A
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	433.38%	308.15%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF AUTHORITY CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,467.00	\$ 8,467.00	\$ 7,855.00	\$ -
Contributions in relation to the contractually required contribution	<u>8,467.00</u>	<u>8,467.00</u>	<u>7,855.00</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 66,029.28	\$ 65,132.45	66,556.90	64,521.65
Contributions as a percentage of covered-employee payroll	12.82%	13.00%	0.00% %	0.00%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2017**

**Public Employees' Retirement System (PERS)**

**Basis of Presentation.** The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 6, 2017. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Changes of benefit terms.** The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**Changes of assumptions.** Pre-retirement mortality rates were based on the RP-2000 Employee Pre-Retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Revenues and Costs Compared to Budget**  
**For the year ended June 30, 2017**  
**(With comparative totals for the year ended June 30, 2016)**

	June 30, 2017				June 30, 2016			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:								
Service fees	\$ 368,000.00	\$ 368,000.00	\$ 370,258.95	\$ 2,258.95	\$ 340,400.00	\$ 340,400.00	\$ 365,318.47	\$ 24,918.47
Other operating revenue	-	-	308.00	308.00	-	-	40.00	40.00
Total operating revenues	368,000.00	368,000.00	370,566.95	2,566.95	340,400.00	340,400.00	365,358.47	24,958.47
Non-operating revenues:								
Local subsidies and donations	100,000.00	100,000.00	57,689.00	(42,311.00)	101,500.00	101,500.00	35,867.00	(65,633.00)
Investment income	-	-	211.91	211.91	-	-	254.82	254.82
Miscellaneous income	-	-	296.00	296.00	-	-	1,719.70	1,719.70
Total non-operating revenues	100,000.00	100,000.00	58,196.91	(41,803.09)	101,500.00	101,500.00	37,841.52	(63,658.48)
Operating appropriations:								
Administration:								
Salaries and wages	68,378.00	68,378.00	66,029.28	2,348.72	67,067.00	67,067.00	65,132.45	1,934.55
Fringe benefits	14,000.00	14,000.00	7,578.89	6,421.11	14,800.00	14,800.00	7,334.67	7,465.33
Other expenses	33,000.00	33,000.00	27,993.17	5,006.83	33,100.00	33,100.00	38,246.86	(5,146.86)
Total administration	115,378.00	115,378.00	101,601.34	13,776.66	114,967.00	114,967.00	110,713.98	4,253.02
Cost of providing services:								
Other expenses	307,864.00	307,864.00	300,630.95	7,233.05	278,328.00	278,328.00	293,287.84	(14,959.84)
Total cost of providing services:	307,864.00	307,864.00	300,630.95	7,233.05	278,328.00	278,328.00	293,287.84	(14,959.84)
Total operating appropriations	423,242.00	423,242.00	402,232.29	21,009.71	393,295.00	393,295.00	404,001.82	(10,706.82)
Net variance	\$ 44,758.00	\$ 44,758.00	\$ 26,531.57	\$ (18,226.43)	\$ 48,605.00	\$ 48,605.00	\$ (801.83)	\$ (49,406.83)
Reconciliation of change in net position to Statements of Net Position:								
Plus: property plant and equipment additions			3,113.68				400.00	
Less: unbudgeted GASB 68 pension expense			(50,637.00)				(36,348.00)	
Change in net position per Statements of Revenues, Expenses and Changes in Net Position			\$ (20,991.75)				\$ (36,749.83)	

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
**County of Ocean, State of New Jersey)**  
**Board of Commissioners and Management**  
**June 30, 2017**

Walter C. Bronson	Chairman
Edward J. Weirsky, Jr.	Vice Chairman
Robert W. Minter	Treasurer
Ronald S. Dancer	Commissioner
Ricky T. Brown	Commissioner
Anthony Esposito III	Alternate Commissioner
Peter L. Ylvisaker	Executive Director

To the Board of Commissioners  
of the Plumsted Township Municipal Utilities Authority

We have audited the financial accounts and transactions of the Plumsted Township Municipal Utilities Authority, a component unit of the Township of Plumsted, Ocean County, State of New Jersey, in the County of Ocean for the year ended June 30, 2017. In accordance with requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

## **GENERAL COMMENTS AND RECOMMENDATIONS**

### **Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)**

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

The minutes indicated that no bids were requested by public advertising or awarded by resolution in the current year.

The minutes also indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.



### **Contracts and Agreements Requiring Solicitation of Quotations**

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

### **General Ledger**

The general ledger was complete with the required journal entries.

### **Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

### **Payroll**

The examination of payroll included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

### **Follow-up on Prior Years' Findings**

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. All prior year findings have been corrected.

### **Acknowledgment**

We received the complete cooperation of all the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call me.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

October 16, 2017  
Toms River, New Jersey