

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, 2016 and 2015

(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, 2016

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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, 2016 and 2015 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 unmodified opinion on the year ended June 30, 2016 and our qualified audit opinion on the year ended June 30, 2015.

Basis for Qualified Opinion on U.S. Generally Accepted Accounting Principles

The Authority participates in a cost-sharing multiple-employer pension plan (the 'Plan') known as the Public Employee's Retirement System. For the year ended June 30, 2015, the pension data provided by the Plan pertaining to the Authority's net pension liability, deferred inflows and outflows of resources related to pension and pension expense were deemed to be inaccurate. Accounting principles generally accepted in the United States of America require that all liabilities, deferred inflows and outflows of resources and expenses be recorded on the financial statements within a material amount. As of June 30, 2015, the amounts by which this departure would affect the liabilities, deferred inflows and outflows of resources, net position, and expenses of the Authority had not been determined and may have been material to the financial statements as a whole.

Unmodified Opinion on 2016 and Qualified Opinion on 2015

In our opinion, except for the possible effects on the 2015 financial statements of the matter described in the "Basis for Qualified Opinion on U.S. Generally Accepted Accounting Principles" paragraph, 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, 2016 and the respective changes in financial position and cash flows thereof for the year 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 and other required supplementary information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 04, 2016, on our consideration of the Plumsted Township Municipal Utilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of

our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plumsted Township Municipal Utilities Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

October 04, 2016
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, 2016, 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 04, 2016. Our report on the financial statements was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying comments and recommendation section as item 2016-001 to be a significant deficiency.

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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which is described in the accompanying comments and recommendations section as item 2016-001.

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 04, 2016
Toms River, New Jersey

Plumsted Municipal Utilities Authority

Walter C. Bronson, Chairman
 Edward J. Weirsky, Jr., Vice Chairman
 Robert W. Minter, Treasurer
 Ronald S. Dancer, Member
 Harry E. Miller, Member
 Ricky T. Brown, Alternate Member
 Anthony Esposito III, Alternate Member
 Peter L. Ylvisaker, Executive Director
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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, 2016 and 2015 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, 2016 and 2015.

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 2016, 2015, and 2014 include the following balances:

Financial Position:

	June 30, 2016	June 30, 2015	June 30, 2014	2016-2015		2015-2014	
				Increase/(Decrease)		Increase/(Decrease)	
				\$	%	\$	%
Current and Other Assets	\$ 121,408.17	\$ 125,795.72	\$ 195,223.35	\$ (4,387.55)	-3.5%	\$ (69,427.63)	-35.6%
Capital Assets	239,749.65	239,349.65	237,127.15	400.00	0.2%	2,222.50	0.9%
Total Assets	361,157.82	365,145.37	432,350.50	(3,987.55)	-1.1%	(67,205.13)	-15.54%
Deferred Outflow of Resources	172,048.00	7,855.00	-	164,193.00	2090.3%	7,855.00	
Total Assets and Deferred Outflow of Resources	\$ 533,205.82	\$ 373,000.37	\$ 432,350.50	\$ 160,205.45	43.0%	\$ (59,350.13)	-13.73%
Current Liabilities	65,024.22	76,464.94	105,999.58	(11,440.72)	-15.0%	\$ (29,534.64)	-27.9%
Long-Term Liabilities	205,098.00	-	-	205,098.00		-	
Total Liabilities	270,122.22	76,464.94	105,999.58	193,657.28	253.3%	(29,534.64)	-27.9%
Deferred Inflow of Resources	3,298.00	-	-	3,298.00		-	
Net Investment in Capital Assets	239,749.65	239,349.65	237,127.15	400.00	0.2%	2,222.50	0.9%
Unrestricted	20,035.95	57,185.78	89,223.77	(37,149.83)	-65.0%	(32,037.99)	-35.9%
Total Net Position	259,785.60	296,535.43	326,350.92	(36,749.83)	-12.4%	(29,815.49)	-9.1%
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 533,205.82	\$ 373,000.37	\$ 432,350.50	\$ 160,205.45	43.0%	\$ (59,350.13)	-13.7%

Revenues, Expenses and Changes in Net Position:

				2016-2015		2015-2014	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase/(Decrease)</u>		<u>Increase/(Decrease)</u>	
	\$			\$	%	\$	%
<u>Operating Revenues</u>							
Service Fees	\$ 365,318.47	\$ 339,334.66	\$ 343,507.03	\$ 25,983.81	7.7%	\$ (4,172.37)	-1.2%
Other	40.00	60.00	100.00	(20.00)	-33.3%	(40.00)	-40.0%
<u>Non-Operating Revenues</u>							
Local subsidies and donations	35,867.00	-	1,316.00	35,867.00		(1,316.00)	
Interest Income	254.82	415.27	658.88	(160.45)	-38.6%	(243.61)	-37.0%
Miscellaneous	1,719.70	6,572.93	-	(4,853.23)	-73.8%	6,572.93	#DIV/0!
Total Revenue	403,199.99	346,382.86	345,581.91	56,817.13	16.4%	800.95	0.2%
<u>Operating Expenses</u>							
Administration	146,661.98	107,491.87	149,333.30	39,170.11	36.4%	(41,841.43)	-28.0%
Cost of providing services	293,287.84	268,706.48	234,343.40	24,581.36	9.1%	34,363.08	14.7%
Total Expenses	439,949.82	376,198.35	383,676.70	63,751.47	16.9%	(7,478.35)	-1.9%
Change in Net Position	(36,749.83)	(29,815.49)	(38,094.79)	(6,934.34)	23.3%	8,279.30	-21.7%
Beginning Net Position	296,535.43	326,350.92	140,818.56	(29,815.49)	-9.1%	185,532.36	131.8%
Prior Period Restatement	-	-	223,627.15	-		(223,627.15)	
Ending Net Position	\$ 259,785.60	\$ 296,535.43	\$ 326,350.92	\$ (36,749.83)	-12.4%	\$ (29,815.49)	-9.1%

During the year ended June 30, 2016, the Authority recognized a net pension liability of \$205,098 due to the adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

The Authority's total net position decreased \$36,749.83 during 2016 when compared to 2015 and \$29,815.49 during 2015 when compared to 2014 due to the change in net position, as shown above.

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. In 2015, operating revenues decreased by \$4,212.37 and non-operating revenues increased by \$5,013.32 for a total revenue increase of \$800.95 when compared to 2014. 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 \$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. The Authority's operating expenses decreased by \$7,478.35 in 2015 when compared to 2014 mainly due to an approved increase in wages and fringe benefits for the executive director in 2014.

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current unrestricted assets:		
Cash and cash equivalents	\$ 36,570.45	\$ 59,229.30
Accounts receivable	84,837.72	66,566.42
Total current unrestricted assets	<u>121,408.17</u>	<u>125,795.72</u>
Property, plant and equipment, net	<u>239,749.65</u>	<u>239,349.65</u>
Total assets	<u>361,157.82</u>	<u>365,145.37</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	172,048.00	7,855.00
Total deferred outflow of resources	<u>172,048.00</u>	<u>7,855.00</u>
Total assets and deferred outflow of resources	<u><u>\$ 533,205.82</u></u>	<u><u>\$ 373,000.37</u></u>
LIABILITIES		
Current unrestricted liabilities:		
Accounts payable	\$ 62,060.40	\$ 67,986.60
Compensated absences	520.56	623.34
Accrued payroll	2,443.26	-
Pensions payable	-	7,855.00
Total current unrestricted liabilities	<u>65,024.22</u>	<u>76,464.94</u>
Non-current unrestricted liabilities:		
Net pension liability	<u>205,098.00</u>	<u>-</u>
Total non-current unrestricted liabilities	<u>205,098.00</u>	<u>-</u>
Total liabilities	<u>270,122.22</u>	<u>76,464.94</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>3,298.00</u>	<u>-</u>
Total deferred inflow of resources	<u>3,298.00</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	239,749.65	239,349.65
Unrestricted net position	<u>20,035.95</u>	<u>57,185.78</u>
Total net position	<u>259,785.60</u>	<u>296,535.43</u>
Total liabilities, deferred inflow of resources and net position	<u><u>\$ 533,205.82</u></u>	<u><u>\$ 373,000.37</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Service fees	\$ 365,318.47	\$ 339,334.66
Other operating revenue	40.00	60.00
Total operating revenues	<u>365,358.47</u>	<u>339,394.66</u>
Operating expenses:		
Adminstration	146,661.98	107,491.87
Cost of providing services	293,287.84	268,706.48
Total operating expenses	<u>439,949.82</u>	<u>376,198.35</u>
Net loss from operations	<u>(74,591.35)</u>	<u>(36,803.69)</u>
Non-operating revenues (expenses):		
Local subsidies and donations	35,867.00	-
Investment income	254.82	415.27
Miscellaneous income	1,719.70	6,572.93
Total non-operating revenues (expenses)	<u>37,841.52</u>	<u>6,988.20</u>
Change in net position	(36,749.83)	(29,815.49)
Net position, July 1,	<u>296,535.43</u>	<u>326,350.92</u>
Net position, June 30,	<u>\$ 259,785.60</u>	<u>\$ 296,535.43</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from service users	\$ 347,047.17	\$ 340,422.11
Cash paid to suppliers and employees	(407,187.54)	(413,587.99)
Other receipts/(payments)	40.00	60.00
Net cash flows from operating activities	<u>(60,100.37)</u>	<u>(73,105.88)</u>
 Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(400.00)	(2,222.50)
Interest received	254.82	415.27
Net cash flows from investing activities	<u>(145.18)</u>	<u>(1,807.23)</u>
 Cash flows from noncapital financing activities:		
Other receipts/(payments)	1,719.70	6,572.93
Net cash flows from noncapital financing activities	<u>37,586.70</u>	<u>6,572.93</u>
 Change in cash	(22,658.85)	(68,340.18)
Cash and cash equivalents, July 1	<u>59,229.30</u>	<u>127,569.48</u>
Cash and cash equivalents, June 30	<u>\$ 36,570.45</u>	<u>\$ 59,229.30</u>
 Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 36,570.45	\$ 59,229.30
Unrestricted cash, June 30	<u>\$ 36,570.45</u>	<u>\$ 59,229.30</u>
 Reconciliation of net income to cash flows from operating activities:		
Net change from operations	\$ (74,591.35)	\$ (36,803.69)
Items which did not use cash:		
Unbudgeted pension expense	36,348.00	-
Working capital changes which provided (used) cash:		
Accounts receivable	(18,271.30)	1,087.45
Accounts payable	(5,926.20)	(29,050.42)
Due from employee	2,443.26	(8,339.22)
Net cash flows from operating activities	<u>\$ (60,100.37)</u>	<u>\$ (73,105.88)</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, 2016 and 2015

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.

For the year ended June 30, 2015, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

C. 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.

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, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. 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.

F. 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, 2016 and 2015, the Authority accrued compensated absences in the amount of \$520.56 and \$623.34.

G. 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.

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, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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 the 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".

I. 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.

J. 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. 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.

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, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended June 30, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Recently Issued and Adopted Accounting Pronouncements

The Authority has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2016.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. 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.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

M. Subsequent Events

The Authority has evaluated subsequent events occurring after June 30, 2016 through October 04, 2016, which is the date the financial statements were available to be issued.

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, 2016 and 2015

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, 2016, and 2015 reported at fair value are as follows:

	<u>2016</u>	<u>2015</u>
Deposits:		
Demand deposits	\$ <u>36,570.45</u>	\$ <u>59,229.30</u>
Total deposits	\$ <u>36,570.45</u>	\$ <u>59,229.30</u>

Reconciliation to Statements of Net Position:

Current unrestricted assets:		
Cash and cash equivalents	\$ <u>36,570.45</u>	\$ <u>59,229.30</u>
Total cash and cash equivalents	\$ <u>36,570.45</u>	\$ <u>59,229.30</u>

A. 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, 2016 and 2015, the Authority's bank balance of \$36,902.10 and \$59,274.82, respectively, was insured or collateralized as follows:

	<u>2016</u>	<u>2015</u>
Insured	\$ <u>36,902.10</u>	\$ <u>59,274.82</u>
Total	\$ <u>36,902.10</u>	\$ <u>59,274.82</u>

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Accounts receivable - customers	\$ <u>84,837.72</u>	\$ <u>66,566.42</u>
Total	\$ <u>84,837.72</u>	\$ <u>66,566.42</u>

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, 2016 and 2015

NOTE 4: PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment at June 30th 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	\$ 239,349.65	\$ 400.00	\$ -	\$ 239,749.65
Total capital assets not being depreciated	<u>239,349.65</u>	<u>400.00</u>	<u>-</u>	<u>239,749.65</u>
Government activities capital assets, net	<u>\$ 239,349.65</u>	<u>\$ 400.00</u>	<u>\$ -</u>	<u>\$ 239,749.65</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/annrprts.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 1/55th 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 1/60th 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

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, 2016 and 2015

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.

Allocation Methodology and Reconciliation to Financial Statements - GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Public Employees' Retirement System (PERS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows and inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2014 through June 30, 2015. The employer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

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 2015 and 2014, 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.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$ 7,855	100%	\$ 205,098
6/30/2015	\$ -	100%	\$ -
6/30/2014	\$ -	100%	\$ -

Components of Net Pension Liability - At June 30, 2016, the Authority reported a liability of \$205,098 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the

PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Plumsted,
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Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 5: PENSION OBLIGATIONS (continued)

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

measurement date of June 30, 2015. 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, 2015. The Authority's proportion measured as of June 30, 2015, was .00091%, which was an increase of .00091% from its proportion measured as of June 30, 2014.

Collective Balances at June 30, 2016 and June 30, 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarial valuation date (including roll forward)	June 30, 2015	June 30, 2014
Deferred Outflows of Resources	\$ 172,048	\$ -
Deferred Inflows of Resources	\$ 3,298	\$ -
Net Pension Liability	\$ 205,098	\$ -
Authority's portion of the Plan's total net pension Liability	0.00091%	0.00000%

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 year ended June 30, 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 14, 2016 with a measurement date of June 30, 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.

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the Authority recognized pension expense of \$36,348. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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, 2016 and 2015

NOTE 5: PENSION OBLIGATIONS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 22,026	\$ -
Net difference between expected and actual experience	4,893	-
Net difference between projected and actual earnings on pension plan investments	-	3,298
Changes in proportion and differences between Authority contributions and proportionate share of contributions	145,129	-
Total	<u>\$ 172,048</u>	<u>\$ 3,298</u>

The 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 Ended June 30:</u>	<u>PERS</u>
2017	\$ 35,626
2018	35,626
2019	35,626
2020	35,626
2021	26,246
Thereafter	-

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

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, 2016 and 2015

NOTE 5: PENSION OBLIGATIONS (continued)

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

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	2012-2021 - 2.15-4.40% based on age Thereafter - 3.15-5.40% based on age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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, 2015 are summarized in the following table:

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, 2016 and 2015

NOTE 5: PENSION OBLIGATIONS (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, 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 calculated using the discount rate as disclosed above, 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 (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1% Decrease</u> <u>(3.90%)</u>	<u>Current Discount</u> <u>Rate (4.90%)</u>	<u>1% Increase</u> <u>(5.90%)</u>
Authority's proportionate share of the net pension liability \$	254,911 \$	205,098 \$	163,334

PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues and Costs Compared to Budget
For the year ended June 30, 2016
(With comparative totals for the year ended June 30, 2015)

	June 30, 2016			June 30, 2015				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:								
Service fees	\$ 340,400.00	\$ 340,400.00	\$ 365,318.47	\$ 24,918.47	\$ 340,400.00	\$ 340,400.00	\$ 339,334.66	\$ (1,065.34)
Other operating revenue	-	-	40.00	40.00	-	-	60.00	60.00
Total operating revenues	340,400.00	340,400.00	365,358.47	24,958.47	340,400.00	340,400.00	339,394.66	(1,005.34)
Non-operating revenues:								
Local subsidies and donations	101,500.00	101,500.00	35,867.00	(65,633.00)	-	-	-	-
Investment income	-	-	254.82	254.82	-	-	415.27	415.27
Miscellaneous income	-	-	1,719.70	1,719.70	-	-	6,572.93	6,572.93
Total non-operating revenues	101,500.00	101,500.00	37,841.52	(63,658.48)	-	-	6,988.20	6,988.20
Operating appropriations:								
Administration:								
Salaries and wages	67,067.00	67,067.00	65,132.45	1,934.55	66,481.00	66,481.00	66,556.90	(75.90)
Fringe benefits	14,800.00	14,800.00	7,334.67	7,465.33	14,800.00	14,800.00	11,173.87	3,626.13
Other expenses	33,100.00	33,100.00	38,246.86	(5,146.86)	34,000.00	34,000.00	31,983.60	2,016.40
Total administration	114,967.00	114,967.00	110,713.98	4,253.02	115,281.00	115,281.00	109,714.37	5,566.63
Cost of providing services:								
Other expenses	278,328.00	278,328.00	293,287.84	(14,959.84)	271,906.00	271,906.00	268,706.48	3,199.52
Total cost of providing services:	278,328.00	278,328.00	293,287.84	(14,959.84)	271,906.00	271,906.00	268,706.48	3,199.52
Total operating appropriations	393,295.00	393,295.00	404,001.82	(10,706.82)	387,187.00	387,187.00	378,420.85	8,766.15
Net variance	\$ 48,605.00	\$ 48,605.00	\$ (801.83)	\$ (49,406.83)	\$ (46,787.00)	\$ (46,787.00)	\$ (32,037.99)	\$ 14,749.01
Reconciliation of change in net position to Statements of Net Position:								
Plus: property plant and equipment additions			400.00				2,222.50	
Less: unbudgeted GASB 68 pension expense			(36,348.00)				-	
Change in net position per Statements of Revenues, Expenses and Changes in Net Position			\$ (36,749.83)				\$ (29,815.49)	

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>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset)	0.00091%	0.00000%	0.00000%
Authority's proportionate share of the net pension liability (asset)	\$ 205,098.00	\$ -	\$ -
Authority's covered-employee payroll	\$ 65,132.45	\$ 66,556.90	\$ 64,521.65
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	314.89%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	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>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,855.00	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>7,855.00</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 65,132.45	\$ 66,556.90	\$ 64,521.65
Contributions as a percentage of covered- employee payroll	12.06%	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, 2016

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 14, 2016. 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. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

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, 2016

Walter Bronson	Chairman
Edward Weirsky	Vice Chairman
Robert Minter	Treasurer
Ronald Dancer	Commissioner
Harry Miller	Commissioner
Anthony Esposito	Alternate Commissioner
Ricky Brown	Alternate Commissioner
Peter 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, 2016. 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 indicate that bids were requested by public advertising and awarded by resolution for the following items: Waste Management Services

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.

Comment 2016-001:

It was noted that the Authority overspent their operating budget by \$10,706.82.

Recommendation:

The Authority should properly approve expenditures prior to payment including certifying that funds are available.

Management's Response:

The Authority will correct this issue.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no findings in the prior year.

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 04, 2016
Toms River, New Jersey