

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**(A Component Unit of the Township of Plumsted,  
County of Ocean, State of New Jersey)**

**Financial Statements and Supplementary Schedule**

**For the year ended June 30, 2014**

**(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 Data**  
**For the year ended June 30, 2014**

**CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Management's Discussion and Analysis	5-6
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10-14
Schedule I – Revenues and Costs Compared to Budget For the year ended June 30, 2014	15
Board of Commissioners and Management	16
General Comments and Recommendations	17-18

## 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 year ended June 30, 2014 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2014 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.

## **Emphasis-of-Matter**

As further discussed in Note 7 to the financial statements, the Authority determined that preliminary engineering fees incurred in the years 2009 through 2013 for a proposed sewer service project should have been capitalized rather than expensed. According to generally accepted accounting principles, planning and design costs related to construction of projects are capitalized when incurred. The Authority has corrected this by restating the beginning net position balance as of July 1, 2013.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-6 and 15 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 August 11, 2015, 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*

August 11, 2015  
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, 2014, 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 August 11, 2015.

**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*

August 11, 2015  
Toms River, New Jersey

## **Management's Discussion and Analysis**

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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 year ended June 30, 2014 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, 2014 and 2013.

The Statements of Net Position show the financial position of the Authority at June 30th of each year. Assets 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 2014 and 2013 include the following balances:  
Financial Position:

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>ASSETS</b>		
Current unrestricted assets	\$ 195,223.35	\$ 196,997.71
Other assets	237,127.15	-
Total assets	<u>432,350.50</u>	<u>196,997.71</u>
<b>LIABILITIES</b>		
Current unrestricted liabilities	<u>105,999.58</u>	<u>56,179.15</u>
Total liabilities	<u>105,999.58</u>	<u>56,179.15</u>
<b>NET POSITION</b>		
Investments in capital assets, net of related debt	237,127.15	-
Unrestricted net position	<u>89,223.77</u>	<u>140,818.56</u>
Total net position	<u>\$ 326,350.92</u>	<u>\$ 140,818.56</u>

	<u><b>2014</b></u>	<u><b>2013</b></u>
Total Operating & Non-operating Revenues	\$ 345,581.91	\$ 387,263.09
Total Operating Expenses	<u>(383,676.70)</u>	<u>(364,172.76)</u>
Change in Net Position	<u>\$ (38,094.79)</u>	<u>\$ 23,090.33</u>

The Authority's net position increased \$185,532 during 2014 when compared to 2013 mainly due to a prior period restatement recorded for prior years engineering expenses related to the planned redevelopment project that were expensed in years completed rather than capitalized to the project.

In 2014, operating revenues increased by \$18,661 and non-operating revenues decreased by \$60,342 for a total revenue decrease of \$41,681 when compared to 2013. 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 \$19,504 in 2014 when compared to 2013 due to increase expenses for the collection of solid waste and also 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)**

**Statement of Net Position**  
**June 30, 2014**

	<u><b>2014</b></u>
<b>ASSETS</b>	
Current unrestricted assets:	
Cash	\$ 127,569.48
Accounts receivable	67,653.87
Total current unrestricted assets	<u>195,223.35</u>
Property, plant and equipment, net	<u>237,127.15</u>
Total assets	<u>\$ 432,350.50</u>
<b>LIABILITIES</b>	
Current unrestricted liabilities:	
Accounts payable	\$ 97,037.02
Compensated absences	623.34
Due to employee	8,339.22
Total current unrestricted liabilities	<u>105,999.58</u>
Total liabilities	<u>105,999.58</u>
<b>NET POSITION</b>	
Investments in capital assets, net of related debt	237,127.15
Unrestricted net position	<u>89,223.77</u>
Total net position	<u><u>\$ 326,350.92</u></u>

The accompanying notes 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)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2014**

	<u><b>2014</b></u>
Operating revenues:	
Service fees	\$ 343,507.03
Other operating revenue	100.00
Total operating revenues	<u>343,607.03</u>
Operating expenses:	
Adminstration	149,333.30
Cost of providing services	234,343.40
Total operating expenses	<u>383,676.70</u>
Net loss from operations	<u>(40,069.67)</u>
Non-operating revenues (expenses):	
Local subsidies and donations	1,316.00
Investment income	658.88
Total non-operating revenues (expenses)	<u>1,974.88</u>
Change in net position	(38,094.79)
Net position, July 1, (as previously shown)	140,818.56
Prior period restatement	<u>223,627.15</u>
Net position, July 1, (restated)	<u>364,445.71</u>
Net position, June 30,	<u><u>\$ 326,350.92</u></u>

The accompanying notes 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)**

**Statement of Cash Flows**  
**For the year ended June 30, 2014**

	<u><b>2014</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from service users	\$ 335,752.66
Cash paid to suppliers and employees	(333,856.27)
Other receipts/(payments)	<u>100.00</u>
Net cash flows from operating activities	<u>1,996.39</u>
 <b>Cash flows from investing activities:</b>	
Acquisition and construction of property, plant and equipment	(13,500.00)
Interest received	<u>658.88</u>
Net cash flows from investing activities	<u>(12,841.12)</u>
 <b>Cash flows from noncapital financing activities:</b>	
Local subsidies and donations	<u>1,316.00</u>
Net cash flows from noncapital financing activities	<u>1,316.00</u>
 Change in cash	(9,528.73)
Cash and cash equivalents, July 1	<u>137,098.21</u>
Cash and cash equivalents, June 30	<u><u>\$ 127,569.48</u></u>
 <b>Reconciliation to Statements of Net Position:</b>	
Current unrestricted assets:	
Cash	<u>\$ 127,569.48</u>
Unrestricted cash, June 30	<u><u>\$ 127,569.48</u></u>
 <b>Reconciliation of net income to cash flows from operating activities:</b>	
Net change from operations	\$ (40,069.67)
Working capital changes which provided (used) cash:	
Accounts receivable	(7,754.37)
Accounts payable	<u>49,820.43</u>
Net cash flows from operating activities	<u><u>\$ 1,996.39</u></u>

The accompanying notes 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 year ended June 30, 2014**

**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 accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles applicable to enterprise funds of governmental units.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority has implemented this Statement for the year ended June 30, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No.65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the Authority has implemented this Statement for the years ended June 30, 2013 and 2012.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the Authority’s financial statements.

**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 year ended June 30, 2014**

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

**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.

**D. Subsequent Events**

The Authority has evaluated subsequent events occurring after June 30, 2014 through August 11, 2015, which is the date the financial statements were available to be issued.

**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, 2014, and reported at fair value are as follows:

<u>Carrying Type</u>	<u>2014 Value</u>
<b>Deposits:</b>	
Demand deposits	\$ <u>127,569.48</u>
Total deposits	\$ <u>127,569.48</u>

**Reconciliation to Statement of Net Position:**

Current unrestricted assets:	
Cash	\$ <u>127,569.48</u>
Total current unrestricted assets	\$ <u>127,569.48</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, 2014, the Authority's bank balance of \$127,569.48 was insured or collateralized as follows:

Insured	<u>2014</u> \$ <u>127,569.48</u>
Total	\$ <u>127,569.48</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 year ended June 30, 2014**

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 consisted of the following:

	<u>2014</u>
Accounts receivable – customers	\$ 67,653.87
Total	<u>\$ 67,653.87</u>

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

	<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	\$ -	\$ 237,127.15	\$ -	\$ 237,127.15
Total capital assets not being depreciated	<u>-</u>	<u>237,127.15</u>	<u>-</u>	<u>237,127.15</u>
Government activities capital assets, net	<u>\$ -</u>	<u>\$ 237,127.15</u>	<u>\$ -</u>	<u>\$ 237,127.15</u>

The costs associated with the construction in progress are related to the planning and design costs for the planned sewer service project for the Township's redevelopment areas.

**NOTE 5: PENSION**

**A. Plan Description**

Plumsted Municipal Utilities Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries.

The Public Employees' Retirement System (P.E.R.S.) was established in January 1955 under the provisions of *N.J.S.A.43:15A*. Both plans were set up to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
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**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2014**

**NOTE 5: PENSION (continued)**

**B. Vesting and Benefit Provisions**

The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B*. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 5C below.

**C. Significant Legislation**

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Authority's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio".

**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Plumsted,**  
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**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2014**

**NOTE 5: PENSION (continued)**

**C. Significant Legislation (continued)**

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

**D. Contribution Requirements**

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

**NOTE 6: INTERIM SHARED SERVICES AGREEMENT**

On September 22, 2009, the Authority entered into an Interim Shared Services Agreement with the Township of Plumsted. The purpose of the agreement was to authorize the Authority to investigate a proposed sewer service plan for the Township's redevelopment areas. In accordance with the agreement, the parties intend that the repayment of funds provided by the Township to the Authority will be determined and provided for in the Final Agreement executed between the parties. As a result of this agreement, the Authority may be responsible for the repayment of expenses that were incurred for the investigation of the proposed sewer service plan. As of the date of the audit, the final agreement has not been executed.

**NOTE 7: PRIOR PERIOD RESTATEMENT**

In 2014, the Authority determined that preliminary engineering fees incurred in the years 2009 through 2013 for a proposed sewer service project should have been capitalized rather than expensed. According to generally accepted accounting principles, planning and design costs related to the construction of projects are capitalized when incurred. This caused the Authority's net loss to be overstated by \$223,627.15 from the years ended June 30, 2009 through June 30, 2013, resulting in an understatement of total net position and net investment in capital assets for the same amount. The Authority has corrected this by restating the balances for the year ended June 30, 2014 as follows:

	<u>Original Balance</u>	<u>Net Adjustment</u>	<u>Restated Balance</u>
Property, plant and equipment	\$ 13,500.00	\$ 223,627.15	\$ 237,127.15
Net investment in capital assets	13,500.00	223,627.15	237,127.15
Total net position	102,723.77	223,627.15	326,350.92



**PLUMSTED TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Revenues and Costs Compared to Budget**  
**For the year ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Operating revenues:				
Service fees	\$ 340,400.00	\$ 340,400.00	\$ 343,507.03	\$ 3,107.03
Other operating revenue	-	-	100.00	100.00
Total operating revenues	340,400.00	340,400.00	343,607.03	3,207.03
Non-operating revenues:				
Local subsidies and donations	7,500.00	7,500.00	1,316.00	(6,184.00)
Investment income	-	-	658.88	658.88
Total non-operating revenues	7,500.00	7,500.00	1,974.88	(5,525.12)
Operating appropriations:				
Administration:				
Salaries and wages	65,421.00	65,421.00	64,521.68	899.32
Fringe benefits	12,700.00	12,700.00	49,562.93	(36,862.93)
Other expenses	34,400.00	34,400.00	35,248.69	(848.69)
Total administration	112,521.00	112,521.00	149,333.30	(36,812.30)
Cost of providing services:				
Other expenses	273,040.00	273,040.00	234,343.40	38,696.60
Total cost of providing services:	273,040.00	273,040.00	234,343.40	38,696.60
Total operating appropriations	385,561.00	385,561.00	383,676.70	1,884.30
Net variance	\$ (37,661.00)	\$ (37,661.00)	\$ (38,094.79)	\$ (433.79)

**Reconciliation of Net Income:**

Excess/(deficit) from above - Budgetary basis	<u>\$ (38,094.79)</u>
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**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, 2014**

Walter Bronson	Chairman
Edward J. Weirsky	Vice Chairman
Robert W. Minter	Treasurer
Ronald S. 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, 2014. 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 Fund**

The examination of the payroll account 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.

### **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*

August 11, 2015  
Toms River, New Jersey