

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2017 AND 2016



*Borough of Buena
Municipal Utilities Authority*



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INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the
Borough of Buena Municipal Utilities Authority
Minotola, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Borough of Buena Municipal Utilities Authority as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 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 of 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 includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Buena Municipal Utilities Authority as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Buena Municipal Utilities Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2018 on our consideration of the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 Borough of Buena Municipal Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

July 25, 2018

**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**

Chairman and Members of the
Borough of Buena Municipal Utilities Authority
Minotola, New Jersey

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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Buena Municipal Utilities Authority as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Borough of Buena Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated July 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Buena 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 the Borough of Buena Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Buena Municipal Utilities Authority's financial statements are free from 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* and audit requirements as prescribed 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Borough of Buena Municipal Utilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

July 25, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Buena Municipal Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2017. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and Schedules Related to Accounting and Reporting for Pensions (GASB 68) and finally, supplementary information.

During 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* (GASB 80), Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81) and Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). The notes to the financial statements provide a more thorough discussion of the implementation of GASBs and while they have no material effect to the financial statements, GASB 82 impacts GASB 68 which did have a material impact on the Authority's financial statements.

REQUIRED FINANCIAL STATEMENTS

The Authority is a single enterprise fund, which includes the Sewer Operation and the Water Operation. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to those used by private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The ***Statement of Net Position*** includes all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the ***Statement of Revenues, Expenses and Changes in Net Position***. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees, water user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the ***Statement of Cash Flows***. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question.

These two statements report the net position of the Authority, and changes in them. You can think of the Authority's net position – the sum of assets and deferred outflows, less liabilities and deferred inflows— as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

SEWER OPERATION

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS

- The Net Capital Assets of the Authority's Sewer Operation total \$7.55 million, which is a \$211 thousand or 2.72% decrease from 2016. Even though there were current year additions to capital assets, this decrease is mainly attributable to the current year depreciation of \$328 thousand.
- The Total Assets of the Authority's Sewer Operation decreased \$79 thousand to \$9.8 million in 2017. The decrease was mainly attributable to the depreciation on capital assets.
- During the year, the operating revenues of the Authority's Sewer Operation were \$1.90 million which is a \$72 thousand or 3.93% increase from 2016, which is mainly attributable to higher usage in the current year and an increase in sewer connection fees.
- The Authority's operating expenses increased by \$43 thousand to \$1.52 million compared to 2016, an increase of 2.89%. The increase is mainly attributable to a higher utilization of outside engineering services and inflation on insurance policies and employee benefits and an increase in repairs and maintenance.
- The Authority amended its current year sewer operating budget in order to include an municipal appropriation of \$70 thousand to the Borough of Buena.
- The Total Net Position of the Authority's Sewer Operation increased from last year by \$242 thousand to \$4.8 million.

The two analyses on the following pages focuses on the Sewer Operation's Net Position (Table 1A) and changes in Net Position (Table 2A) during the year.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS (CONTINUED)

**Table 1A
Net Position
Sewer Operations
(Dollars in Thousands)**

	2017	2016	2015	2017-2016		2016-2015	
				Increase(Decrease) \$	Increase(Decrease) %	Increase(Decrease) \$	Increase(Decrease) %
Current Assets-Unrestricted	\$ 759	\$ 883	\$ 565	\$ (124)	(14.04%)	\$ 318	56.28%
Current Assets-Restricted	1,500	1,244	1,172	256	20.58%	72	6.14%
Noncurrent Assets	7,552	7,763	7,985	(211)	(2.72%)	(222)	(2.78%)
Total Assets	<u>9,811</u>	<u>9,890</u>	<u>9,722</u>	<u>(79)</u>	<u>(0.80%)</u>	<u>168</u>	<u>1.73%</u>
Deferred Outflows Of Resources	<u>346</u>	<u>455</u>	<u>158</u>	<u>(109)</u>	<u>(23.96%)</u>	<u>297</u>	<u>187.97%</u>
Current Liabilities	86	73	73	13	17.81%	-	0.00%
Current Liabilities Payable							
From Restricted Assets	351	286	255	65	22.73%	31	12.16%
Long-Term Liabilities	<u>4,577</u>	<u>5,186</u>	<u>5,031</u>	<u>(609)</u>	<u>(11.74%)</u>	<u>155</u>	<u>3.08%</u>
Total Liabilities	<u>5,014</u>	<u>5,545</u>	<u>5,359</u>	<u>(531)</u>	<u>(9.58%)</u>	<u>186</u>	<u>3.47%</u>
Deferred Inflows Of Resources	<u>315</u>	<u>214</u>	<u>217</u>	<u>101</u>	<u>47.20%</u>	<u>(3)</u>	<u>(1.38%)</u>
Net Investment in							
Capital Assets	3,769	3,699	3,691	70	1.89%	8	0.22%
Restricted Net Position	108	108	108	-	0.00%	-	0.00%
Unrestricted Net Position	<u>951</u>	<u>779</u>	<u>505</u>	<u>172</u>	<u>22.08%</u>	<u>274</u>	<u>54.26%</u>
Total Net Position	<u>\$ 4,828</u>	<u>\$ 4,586</u>	<u>\$ 4,304</u>	<u>\$ 242</u>	<u>5.28%</u>	<u>\$ 282</u>	<u>6.55%</u>

The increase in total current assets is primarily a result of the net income from operations during the year. The decrease in unrestricted current assets and increase restricted current assets is primarily the net result of cash reserves being transferred into accounts that are restricted for capital outlays. There were also minor decreases in inventories and prepaid expenses combined with a small increase in accounts receivable.

The decrease in noncurrent assets is due to the decrease in net capital assets which is the net result of depreciation outweighing asset acquisitions.

The decrease in deferred outflows of resources is due to the decrease in deferred amount relating to pensions.

The increase in deferred inflows of resources is due to the increase in deferred amount relating to pensions.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS (CONTINUED)

The increase in current liabilities is primarily the result of increases in operating accounts payable, accrued liabilities and the current portion of revenue bonds payable netted with a decrease in contracts payable.

The decrease in long-term liabilities is the result of the decrease in the principal maturities of revenue bonds together with a decrease in the net pension liability.

Changes in the net position of the Authority's Sewer Operation can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position.

**Table 2A
Statement of Revenues, Expenses and Changes in Net Position
Sewer Operations
(Dollars in Thousands)**

	2017	2016	2015	2017-2016		2016-2015	
				Increase(Decrease) \$	Increase(Decrease) %	Increase(Decrease) \$	Increase(Decrease) %
Operating Revenue							
User Charges & Fees	\$ 1,294	\$ 1,269	\$ 1,270	\$ 25	1.97%	\$ (1)	(0.08%)
Septage Fees	442	407	342	35	8.60%	65	19.01%
Other Operating	168	157	40	11	7.01%	117	292.50%
Nonoperating Revenue	11	15	3	(4)	(26.67%)	12	400.00%
Total Revenue	<u>1,915</u>	<u>1,848</u>	<u>1,655</u>	<u>67</u>	<u>3.63%</u>	<u>193</u>	<u>11.66%</u>
Operating Expenses							
Cost of Providing Services	926	900	810	26	2.89%	90	11.11%
Administrative and General	265	251	231	14	5.58%	20	8.66%
Depreciation	328	325	322	3	0.92%	3	0.93%
Non Operating Expenses							
Municipal Contribution	70			70			
Interest & Amortization Expense	84	90	94	(6)	(6.67%)	(4)	(4.26%)
Total Expenses	<u>1,673</u>	<u>1,566</u>	<u>1,457</u>	<u>107</u>	<u>6.83%</u>	<u>109</u>	<u>7.48%</u>
Change in Net Position	242	282	198	(40)	(14.18%)	84	42.42%
Beginning Net Position	<u>4,586</u>	<u>4,304</u>	<u>4,106</u>	<u>282</u>	<u>6.55%</u>	<u>198</u>	<u>4.82%</u>
Ending Net Position	<u>\$ 4,828</u>	<u>\$ 4,586</u>	<u>\$ 4,304</u>	<u>\$ 242</u>	<u>5.28%</u>	<u>\$ 282</u>	<u>6.55%</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

REVENUES AND EXPENSES – SEWER OPERATIONS

The total revenues of the Authority's Sewer Operation are approximately \$1.92 million for the year ended December 31, 2017. User Charges and Fees were \$1.29 million, accounting for 67.57% of total revenue. Septage Fees were \$0.44 million, accounting for 23.08% of total revenue. Of the Operating Expenses, the cost of providing services, which totaled \$0.93 million, increased \$26 thousand from the prior year, and the administrative and general expenses, which totaled \$0.27 million, increased \$14 thousand from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS

Capital Assets

At the end of December 2017, the Authority's Sewer Operation had \$7.6 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$.328 million.

The following tables summarize the capital assets of the Authority's Sewer Operation, net of accumulated depreciation, and changes therein, for the year ended December 31, 2017.

**Table 3A
Capital Assets, Net of Accumulated Depreciation
Sewer Operations
(Dollars in Thousands)**

	2017	2016	2015	2017-2016		2016-2015	
				Increase(Decrease) \$	Increase(Decrease) %	Increase(Decrease) \$	Increase(Decrease) %
Land	\$ 517	\$ 486	\$ 486	\$ 31	6.38%	\$ -	0.00%
Treatment Plant and Facilities	5,780	5,961	6,192	(181)	(3.04%)	(231)	(3.73%)
Pumping Stations, Interceptors and Improvements	999	1,055	1,112	(56)	(5.31%)	(57)	(5.13%)
Machinery and Equipment	241	224	180	17	7.59%	44	24.44%
Construction in Progress	15	37	15	(22)	(59.46%)	22	146.67%
Total	\$ 7,552	\$ 7,763	\$ 7,985	\$ (211)	(2.72%)	\$ (222)	(2.78%)

Not including depreciation, this year's additions/reductions to capital assets (in thousands) include:

Machinery and Equipment	\$ 62
Land	31
Treatment Plant & Facilities	47
Construction in Progress	<u>(22)</u>
	<u>\$ 118</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS (CONTINUED)

Capital Assets (Continued)

The Authority's FY 2018 capital budget plans for investing another \$2.144 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 1,249
Lines and Laterals	315
Machinery and Equipment	525
Purchase Property	55
Total	<u>\$ 2,144</u>

The Authority plans on funding those capital projects using a combination of existing cash, including reserves, 2018 revenues, and the issuance of \$985 thousand in long-term debt.

Debt Administration

At December 31, 2017, the Authority's Sewer Operation had several outstanding bonds payable in the amount of \$3,782,899 that mature in various amounts through the year 2053 with interest rates ranging from 1.946% to 2.125%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES – SEWER OPERATIONS

The budget for the year 2018 maintains the same rates for residential user charges and fees setting the rate at \$545 per unit per year. In addition, commercial sewer users are billed based on flow. Budgeted connection fees for new customers remain the same at \$3,500/unit.

WATER OPERATION

FINANCIAL HIGHLIGHTS – WATER OPERATIONS

- The Net Capital Assets of the Authority's Water Operation total \$2.77 million, which is an decrease of \$100 thousand or 3.48% from 2016. Even though there were current year additions to capital assets, this decrease is mainly attributable to the current year depreciation of \$131 thousand.
- The Total Assets of the Authority's Water Operation decreased 6.99% from the prior year to \$3.58 million. The decrease was mainly attributable to the depreciation on capital assets and the reduction in cash attributable to the current year operating loss.
- During the year, the operating revenues of the Authority's Water Operation were \$.737 million which is a \$50 thousand or 6.35% decrease from 2016, which is mainly attributable to lower water usage, less water connections and a reduction in miscellaneous revenue in the current year.
- The Authority's operating expenses were \$.865 million, which is a 4.95% decrease from 2016. The decrease is mainly attributable to a decrease in operating supplies expense as a result of an increase in year-end inventory levels as well as a decrease in professional fees.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)

- The Authority amended its current year water operating budget in order to include an municipal appropriation of \$40 thousand to the Borough of Buena.
- The total net position of the Authority's Water Operation decreased from last year by \$141 thousand due to the current year loss.

The analysis below, and on the following pages, focuses on the Water Operation's net position (Table 1B) and changes in net position (Table 2B) during the year.

**Table 1B
Water Operations
Net Position
(Dollars in Thousands)**

	2017	2016	2015	2017-2016		2016-2015	
				Increase(Decrease) \$	Increase(Decrease) %	Increase(Decrease) \$	Increase(Decrease) %
Current Assets-Unrestricted	\$ 458	\$ 542	\$ 760	\$ (84)	(15.50%)	\$ (218)	(28.68%)
Current Assets-Restricted	349	434	277	(85)	(19.59%)	157	56.68%
Noncurrent Assets	<u>2,773</u>	<u>2,873</u>	<u>2,770</u>	<u>(100)</u>	<u>(3.48%)</u>	<u>103</u>	<u>3.72%</u>
Total Assets	<u>3,580</u>	<u>3,849</u>	<u>3,807</u>	<u>(269)</u>	<u>(6.99%)</u>	<u>42</u>	<u>1.10%</u>
Deferred Outflows of Resources	<u>280</u>	<u>368</u>	<u>128</u>	<u>(88)</u>	<u>(23.91%)</u>	<u>240</u>	<u>187.50%</u>
Current Liabilities	53	70	32	(17)	(24.29%)	38	118.75%
Current Liabilities Payable							
From Restricted Assets	116	164	75	(48)	(29.27%)	89	118.67%
Long-Term Liabilities	<u>1,001</u>	<u>1,321</u>	<u>1,066</u>	<u>(320)</u>	<u>(24.22%)</u>	<u>255</u>	<u>23.92%</u>
Total Liabilities	<u>1,170</u>	<u>1,555</u>	<u>1,173</u>	<u>(385)</u>	<u>(24.76%)</u>	<u>382</u>	<u>32.57%</u>
Deferred Inflows of Resources	<u>321</u>	<u>152</u>	<u>162</u>	<u>169</u>	<u>111.18%</u>	<u>(10)</u>	<u>(6.17%)</u>
Net Investment in Capital Assets	2,579	2,516	2,424	63	2.50%	92	3.80%
Restricted Net Position	42	42	42	-	-	-	-
Unrestricted Net Position (Deficit)	<u>(252)</u>	<u>(48)</u>	<u>134</u>	<u>(204)</u>	<u>425.00%</u>	<u>(182)</u>	<u>(135.82%)</u>
Total Net Position	<u>\$2,369</u>	<u>\$2,510</u>	<u>\$2,600</u>	<u>\$ (141)</u>	<u>(5.62%)</u>	<u>\$ (90)</u>	<u>(3.46%)</u>

Total current assets decreased \$169 thousand, mainly due to the decreases in cash that resulted from certain capital acquisitions and the current year net loss of \$141 thousand.

The decrease in noncurrent assets is due to the decrease in net capital assets which is the net result of depreciation being greater than asset acquisitions.

The decrease in deferred outflows of resources is due to the decrease in deferred amount relating to pensions.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)

The decrease in current liabilities is primarily the result of decreases in operating accounts payable, accrued liabilities and contracts netted with an increase in the current portion of revenue bonds payable and the developer escrow liability.

The increase in deferred inflows of resources is due to the increase in deferred amount relating to pensions.

The decrease in long-term liabilities is the net result of the decrease in the net pension liability and the principal maturities of revenue bonds outweighing the increase in accrued compensated absences.

Changes in the net position of the Authority's Water Operation can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position.

**Table 2B
Statement of Revenues, Expenses and Changes in Net Position
Water Operations
(Dollars in Thousands)**

	2017	2016	2015	2017-2016		2016-2015	
				Increase(Decrease) \$	Increase(Decrease) %	Increase(Decrease) \$	Increase(Decrease) %
Operating Revenue							
User Charges & Fees	\$ 716	\$ 730	\$ 756	\$ (14)	(1.92%)	\$ (26)	(3.44%)
Other Operating	21	57	32	(36)	(63.16%)	25	78.13%
Nonoperating Revenue	32	41	27	(9)	(21.95%)	14	51.85%
Total Revenue	769	828	815	(59)	(7.13%)	13	1.60%
Operating Expenses							
Cost of Providing Services	531	557	471	(26)	(4.67%)	86	18.26%
Administrative and General	203	236	216	(33)	(13.98%)	20	9.26%
Depreciation	131	118	123	13	11.02%	(5)	(4.07%)
Non Operating Expense							
Municipal Contribution	40			40	n/a	-	n/a
Interest, Amortization and Debt Issue Costs	5	7	8	(2)	(28.57%)	(1)	(12.50%)
Total Expenses	910	918	818	(8)	(0.87%)	100	12.22%
Change in Net Position	(141)	(90)	(3)	(51)	56.67%	(87)	(2900.00%)
Beginning Net Position	2,510	2,600	2,603	(90)	(3.46%)	(3)	(0.12%)
Ending Net Position	\$2,369	\$2,510	\$2,600	\$ (141)	(5.62%)	\$ (90)	(3.46%)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

REVENUES AND EXPENSES – WATER OPERATIONS

The total revenues of the Authority's Water Operation are approximately \$.77 million for the year ended December 31, 2017. User Charges and Fees were \$.72 million, accounting for 93.11% of total revenue. Of the Operating Expenses, the cost of providing services, which totaled \$0.53 million, decreased \$26 thousand from the prior year, and the administrative and general expenses, which totaled \$0.20 million, decreased \$33 thousand from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION – WATER OPERATIONS

Capital Assets

At the end of December 2017, the Authority's Water Operation had \$2.77 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$.131 million.

The following tables summarize the capital assets of the Authority's Water Operation, net of accumulated depreciation, and changes therein, for the year ended December 31, 2017.

**Table 3B
Capital Assets, Net of Accumulated Depreciation
Water Operations
(Dollars in Thousands)**

	2017	2016	2015	2017-2016		2016-2015	
				Increase(Decrease) \$	Increase(Decrease) %	Increase(Decrease) \$	Increase(Decrease) %
Land	\$ 35	\$ 4	\$ 4	\$ 31	7.75	\$ -	-
Water Distribution System	2,553	2,667	2,660	(114)	(4.27%)	7	0.26%
Machinery and Equipment	185	202	106	(17)	(8.42%)	96	90.57%
Total	<u>\$ 2,773</u>	<u>\$ 2,873</u>	<u>\$ 2,770</u>	<u>\$ (100)</u>	<u>(3.48%)</u>	<u>\$ 103</u>	<u>3.72%</u>

Not including depreciation, this year's additions/reductions to capital assets (in thousands) include:

Land	<u>\$ 31</u>
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The Authority's FY 2018 capital budget plans for investing another \$.948 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 25
Water Lines and Distribution	15
Refurbish Water Tower	<u>908</u>
Total	<u>\$ 948</u>

The Authority plans on funding those capital projects using existing cash reserves, 2018 revenue and the issuance of \$908 thousand in long-term debt.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Debt Administration

At December 31, 2017, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$194,600 that matures in various amounts through the year 2019 with interest rates of 1.946%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES – WATER OPERATIONS

The budget for the year 2018 maintains the same rates for user charges and fees and connection fees for new customers.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's Secretary/Treasurer at the Borough of Buena Municipal Utilities Authority, PO Box 696, Minotola, NJ, 08341.

BASIC FINANCIAL STATEMENTS

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS - UNRESTRICTED:		
Cash	\$ 901,874	\$ 1,123,581
Accounts Receivable, Net of Allowance for Doubtful Accounts	252,391	235,247
Inventory	53,005	51,984
Due from Vendor	10,035	10,341
Prepaid Expenses		3,358
Total Current Assets - Unrestricted	1,217,305	1,424,511
CURRENT ASSETS - RESTRICTED:		
Accounts Required by the General Bond Resolution:		
Cash	151,614	151,084
Other:		
Cash	1,697,347	1,527,410
Total Current Assets - Restricted	1,848,961	1,678,494
NONCURRENT ASSETS:		
Capital Assets, Net of Accumulated Depreciation	10,324,672	10,635,968
Total Noncurrent Assets	10,324,672	10,635,968
TOTAL ASSETS	13,390,938	13,738,973
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Defeasance of Debt	631	1,242
Deferred Amount Relating to Pensions	625,973	822,157
TOTAL DEFERRED OUTFLOWS OF RESOURCES	626,604	823,399

(Continued)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2017 AND 2016**

	2017	2016
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 45,053	\$ 53,391
Accrued Liabilities	93,626	89,089
Total Current Liabilities Payable From Unrestricted Assets	138,679	142,480
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Contracts Payable		107,731
Revenue Bonds Payable - Current Portion	452,744	336,432
Accrued Interest Payable - Bonds and Notes	1,165	1,625
Developer Escrow Liability	12,668	4,647
Total Current Liabilities Payable From Restricted Assets	466,577	450,435
LONG-TERM LIABILITIES:		
Accrued Liability Pension - Non-Current Portion	38,658	36,432
Revenue Bonds Payable - Non-Current Portion	3,524,755	3,977,499
Accrued Compensated Absences	72,695	64,242
Net Pension Liability	1,942,771	2,429,151
Total Long-Term Liabilities	5,578,879	6,507,324
TOTAL LIABILITIES	6,184,135	7,100,239
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	123,464	107,500
Deferred Amount Relating to Pensions	414,282	33,256
Deferred Connection Fees	98,192	224,948
TOTAL DEFERRED INFLOWS OF RESOURCES	635,938	365,704
NET POSITION:		
Net Investment in Capital Assets	6,347,803	6,215,548
Restricted:		
Bond Reserve Fund	150,000	150,000
Unrestricted	699,666	730,881
TOTAL NET POSITION	\$ 7,197,469	\$ 7,096,429

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUE:		
User Charges and Fees	\$ 2,010,352	\$ 1,998,109
Interest on Delinquent Accounts	42,179	43,328
Septage Fees	441,621	406,995
Connection Fees	142,268	134,972
Miscellaneous Income	5,198	35,738
	2,641,618	2,619,142
OPERATING EXPENSES:		
Cost of Providing Services	1,456,939	1,447,032
Administrative and General	468,101	497,045
Depreciation	459,213	442,541
	2,384,253	2,386,618
OPERATING INCOME	257,365	232,524
NON-OPERATING REVENUE (EXPENSES):		
Interest Income	12,162	6,830
Municipal Appropriation to Borough of Buena	(110,000)	
Miscellaneous Income	31,274	49,664
Interest Expense	(89,761)	(96,508)
	(156,325)	(40,014)
CHANGE IN NET POSITION	101,040	192,510
NET POSITION - JANUARY 1,	7,096,429	6,903,919
NET POSITION- DECEMBER 31,	\$ 7,197,469	\$ 7,096,429

The accompanying Notes to Financial Statements are an integral part of this statement.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 2,492,972	\$ 2,484,735
Cash Payments to Suppliers for Goods and Services	(878,937)	(915,313)
Cash Payments for Employee Services	(937,731)	(805,065)
Other Receipts (Payments)	<u>20,710</u>	<u>192,846</u>
Net Cash Provided by Operating Activities	<u>697,014</u>	<u>957,203</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Other Non-Operating Revenue	31,274	49,664
Municipal Appropriation to Borough of Buena	<u>(110,000)</u>	<u>-</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(78,726)</u>	<u>49,664</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(255,648)	(216,346)
Principal Paid on Bonds and Notes	(336,432)	(325,148)
Interest Paid on Bonds and Notes	<u>(89,610)</u>	<u>(96,053)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(681,690)</u>	<u>(637,547)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	<u>12,162</u>	<u>6,830</u>
Net Cash Provided by Investing Activities	<u>12,162</u>	<u>6,830</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(51,240)	376,150
CASH AND CASH EQUIVALENTS - JANUARY 1,	<u>2,802,075</u>	<u>2,425,925</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31,	<u>\$ 2,750,835</u>	<u>\$ 2,802,075</u>

(Continued)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	<u>\$ 257,365</u>	<u>\$ 232,524</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	459,213	442,541
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(17,144)	35,998
Inventory	(1,021)	982
Due from Vendor	306	(306)
Prepaid Expense	3,358	10,558
Accounts Payable	(8,338)	28,205
Accrued Liabilities	4,537	8,857
Accrued Compensated Absences	8,453	(10,553)
Developer Escrow Liability	8,021	2,385
Accrued Liabilities Related to Pensions	(484,154)	757,537
Deferred Outflows Related to Pensions	196,184	(538,080)
Deferred Inflows Related to Pensions	381,026	(35,886)
Deferred Connection Fees	(126,756)	22,136
Deferred User Charges	<u>15,964</u>	<u>305</u>
Total Adjustments	<u>439,649</u>	<u>724,679</u>
Net Cash Provided by Operating Activities	<u><u>\$ 697,014</u></u>	<u><u>\$ 957,203</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Buena Municipal Utilities Authority was created as a political subdivision of the State of New Jersey by ordinance of the Borough of Buena dated December 23, 1963 pursuant to N.J.S.A. 40:14B-6.

The Authority was created to install, construct, finance and maintain the operations of a water supply system and sewerage system in the Borough of Buena.

As a public body under existing statute, the Authority is exempt from both federal and state taxes.

Financial Reporting Entity

The Authority is a component unit of the Borough of Buena as it meets the financial accountability criteria for component units set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14 *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. The financial statements of the Borough of Buena are not presented in accordance with generally accepted accounting principles (GAAP) and do not present the financial statements of its component units in accordance with those GASB Statements. The Authority's financial statements would be either blended or discretely presented with those of the Borough if the Borough reported using generally accepted accounting principles (GAAP) applicable to governmental entities. The Authority does not have any component units for which it is financially accountable.

Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (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 the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are user charges and fees for sewerage treatment and water supply, septage fees and connection fees. The Authority also recognizes interest on delinquent customer accounts and certain types of miscellaneous income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to end of the current fiscal year, and adopted no later than the beginning of the Authority's fiscal year. The budget is adopted on the accrual basis of accounting with provision for cash payments for bond principal. Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan ("the plan") and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17.9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public 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. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value of at least five percent (5%) of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

The cash management plan adopted by the Borough of Buena Municipal Utilities Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

Inventory

Inventory consists principally of parts and supplies used in the treatment process and is stated at cost determined on a first-in, first-out basis.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the year end.

Capital Assets

Capital assets, which consist of property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an individual cost of \$3,000 or more and an estimated useful life in excess of one year.

Construction in progress is stated at cost, which includes interest expense incurred during construction. The Authority reduces the capitalized project costs by the amount of interest earned from the investment of excess funds, which has the effect of reducing the cost of borrowing. Construction costs are charged to construction in progress until such time as the facility is put into operation.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water distribution system	50 years
Treatment plant and facilities	20, 40 years
Mains, interceptors and improvements	50 years
Machinery and equipment	5 - 15 years
Office furniture and equipment	5 - 10 years
Vehicles	5 - 15 years

Deferred Outflows and Deferred Inflows of Resources

The Schedule of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after Total Assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after Total Liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards.

The Authority reports the following as deferred outflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Loss on Defeasance of Debt – The deferred loss on defeasance of debt is recorded as a deferred outflow of resources. It is amortized over the shorter of the remaining life of the old debt or new debt based upon the interest method as a component of interest expense.

The Authority reports the following as deferred inflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Connection fees – Funds received from customers for the right to connect to the water and/or sewer system prior to providing the physical connections are recorded as deferred inflows.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

The Authority reports the following as deferred inflows of resources (Continued):

Deferred Revenues – Customers are billed in advance for the minimum portion of their quarterly water service fee. Funds that are received for the subsequent year’s minimum water charges are recorded as deferred revenue.

Pensions

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 fiduciary net position of the Public Employees' Retirement System (“PERS”) and additions to/deductions from PERS’s fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

Postemployment Benefits Other than Pensions

In 2004, the Authority implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. Since the Authority participates in a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits, the Authority’s portion of this liability and cost is calculated and recorded at the State of New Jersey level and included in the State’s Comprehensive Annual Financial Report.

The Authority records its other postemployment benefits cost (expense) based on billings from the New Jersey State Health Benefits Program. Required financial statement disclosures are included in Note 5.

Subsequent Events

Management has evaluated subsequent events through July 25, 2018, the date the financial statements were available for issue.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Contributions received from various sources as grants are recorded in the period earned. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as capital contributions.

Allocation of Common Costs

Certain costs not specifically identifiable to either the sewer or water operation that benefit both operations, including salaries, wages and benefits and other administrative costs are allocated between the sewer and water operations based on management's estimates.

Adoption of Accounting Pronouncements

For the year ended December 31, 2017, the Authority adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB 74 became effective for periods beginning after June 15, 2016. The adoption of GASB 74 does not directly apply to the Authority's financial reporting activity and therefore, has no material impact on the current year's financial statements. However, upon the adoption of GASB 75 in 2018, the Authority expects the combination of GASB 74 and GASB 75 to have a material impact on the Authority's financial statements (See GASB 75 in the Recent Accounting Pronouncements Not Yet Effective section below).

For the year ended December 31, 2017, the Authority adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* (GASB 80). This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. GASB 80 became effective for periods beginning after June 15, 2016. Since the Authority currently has no component units that fall within the scope of GASB 80, the adoption of GASB 80 does not have a material impact on the Authority's financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncements (Continued)

GASB 81 became effective for periods beginning after December 15, 2016. Since the Authority currently has no irrevocable split interest agreements, as defined by GASB 81, the adoption of GASB 81 does not have a material impact on the Authority's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of GASB 82 became effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 became effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. While GASB 82 does not directly materially affect the Authority's financial statements, it impacts GASB 68 which did have a material impact on the Authority's financial statements.

Recent Accounting Pronouncements Not Yet Effective

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and expects the impact to be material.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB 83 will be effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 will be effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and no material impact on the Authority's previously defeased debt is expected, however, it will have a material change on how the Authority records any potential future defeasances.

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and a material impact is expected.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Authority has established the following restricted accounts:

Bond Reserve Fund - established pursuant to the Loan Agreement dated October 31, 2014 between the Authority and Capital Bank of New Jersey.

Debt Service Account - is restricted for the payment of principal and interest on the Authority's outstanding debt.

Renewal and Replacement - account restricted for equipment renewal or replacement.

Escrow Account - consisting of funds collected from developers for costs to be incurred by the Authority on their behalf.

The following restricted cash accounts are required by the Authority's Series 2014 Loan Agreement:

	2017	2016
Debt Service Reserve Requirement	\$ 150,000	\$ 150,000
Debt Service Reserve Fund Cash & Equivalents Balance	151,614	151,084
Sufficient (Insufficient) Reserve Fund Balance	\$ 1,614	\$ 1,084

NOTE 3 DETAIL NOTES - ASSETS

CASH AND CASH EQUIVALENTS

At December 31, 2017 and 2016, the carrying amount of the Authority's time and demand deposits were \$1,566,433 and \$1,777,934, respectively, and the bank balance of the Authority's time and demand deposits were \$1,533,400 and \$1,815,297, respectively.

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 to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). The Authority's public funds in excess of the FDIC insured amounts are protected by GUDPA. As of December 31, 2017, \$250,000 of the Authority's bank balance of \$1,533,400 was insured and \$1,283,400 was covered under GUDPA as described above. As of December 31, 2016, \$250,000 of the Authority's bank balance of \$1,815,297 was insured and \$1,565,297 was covered under GUDPA as described above.

At December 31, 2017 and 2016, the Authority had \$1,184,402 and \$1,024,141, respectively, invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Customer Accounts Receivable:		
Sewer	\$ 149,848	\$ 119,970
Water	118,892	122,701
Septage Hauler Receivables	<u>42,333</u>	<u>48,216</u>
	311,073	290,887
Less: Allowance for Doubtful Accounts	<u>(58,682)</u>	<u>(55,640)</u>
Accounts Receivable, Net of Allowance for Doubtful Accounts	<u><u>\$ 252,391</u></u>	<u><u>\$ 235,247</u></u>

CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance Jan. 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2017</u>
Non-Depreciable Capital Assets:				
Land	\$ 489,752	\$ 62,000	\$	\$ 551,752
Construction in Progress	<u>36,688</u>	<u>16,500</u>	<u>38,600</u>	<u>14,588</u>
Total Non-Depreciable Capital Assets	<u>526,440</u>	<u>78,500</u>	<u>38,600</u>	<u>566,340</u>
Depreciable Capital Assets:				
Treatment Plant and Facilities	9,856,878	46,672		9,903,550
Pumping Stations, Interceptors and Improvements	2,646,004			2,646,004
Machinery and Equipment	2,764,584	61,345		2,825,929
Water Distribution System	<u>5,548,271</u>			<u>5,548,271</u>
Total Depreciable Capital Assets	<u>20,815,737</u>	<u>108,017</u>	<u>-</u>	<u>20,923,754</u>
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	3,895,300	227,740		4,123,040
Pumping Stations, Interceptors and Improvements	1,590,777	56,314		1,647,091
Machinery and Equipment	2,338,688	61,357		2,400,045
Water Distribution System	<u>2,881,444</u>	<u>113,802</u>		<u>2,995,246</u>
Total Accumulated Depreciation	<u>10,706,209</u>	<u>459,213</u>	<u>-</u>	<u>11,165,422</u>
Depreciable Capital Assets, Net	<u>10,109,528</u>	<u>(351,196)</u>	<u>-</u>	<u>9,758,332</u>
Total Capital Assets, Net	<u><u>\$ 10,635,968</u></u>	<u><u>\$ (272,696)</u></u>	<u><u>\$ 38,600</u></u>	<u><u>\$ 10,324,672</u></u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Depreciation expense for the years ended December 31, 2017 and 2016 was charged to:

	2017	2016
Sewer Operations	\$ 328,362	\$ 324,910
Water Operations	130,851	117,631
	\$ 459,213	\$ 442,541

NOTE 4 DETAIL NOTES – LIABILITIES

LONG-TERM DEBT

Bonds Payable

At December 31, 2017, bonds payable consisted of the following:

In June 2013, the Authority issued Sewer Revenue Bonds (Series 2013) to USDA Rural Development in the principal amount of \$3,549,000. The proceeds were used to finance the construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. The Authority will pay principal and interest on the unpaid principal balance at a rate of 2.125% per annum in equal semi-annual installments of \$66,083, commencing on December 28, 2013 and each June 28 and December 28 thereafter, and one final installment on June 28, 2053. The outstanding balance of the Series 2013 Revenue Bonds at December 31, 2017 and 2016 is \$3,282,499 and \$3,343,931, respectively.

On October 31, 2014, the Authority issued its \$1,500,000 Revenue Refunding Bond to Capital Bank of New Jersey to currently refund, together with existing cash on hand, \$1,555,000 of outstanding Series 2003A Bonds. The Authority will pay principal and interest on the unpaid principal balance at a rate of 1.946% per annum beginning December 1, 2015 through 2019 in maturities ranging from \$265,000 to \$405,000. The outstanding balance of the Series 2014 Revenue Refunding Bonds at December 31, 2017 and 2016 is \$695,000 and \$970,000, respectively.

Compensated Absences

Current policy allows employees who retire from the Authority via PERS will be reimbursed for fifty percent (50%) of accrued sick leave up to a maximum of \$12,000, calculated at the then current rate. The accrued liability for compensated absences at December 31, 2017 and 2016 is estimated at \$72,695 and \$64,242 respectively.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	Balance Jan. 1, 2017	Additions	Reductions	Balance Dec. 31, 2017	Amounts Due Within One Year
Bonds Payable:					
Series 2013 Revenue Bonds (USDA)	\$ 3,343,931	\$	\$ 61,432	\$ 3,282,499	\$ 62,744
Series 2014 Revenue Bonds	970,000		275,000	695,000	390,000
Total Bonds Payable	4,313,931	-	336,432	3,977,499	452,744
Other Liabilities:					
Accrued Compensated Absences	64,242	8,453		72,695	
Accrued Liability Pension	36,432	38,658	36,432	38,658	
Net Pension Liability	2,429,151	97,507	583,887	1,942,771	
Total Other Liabilities	2,529,825	144,618	620,319	2,054,124	-
Total Long-Term Liabilities	\$ 6,843,756	\$ 144,618	\$ 956,751	\$ 6,031,623	\$ 452,744

The annual debt service requirements to maturity, including principal and interest, for revenue bonds payable as of December 31, 2017 are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 452,744	\$ 82,947	\$ 535,691
2019	369,085	74,016	443,101
2020	65,454	66,712	132,166
2021	66,852	65,314	132,166
2022	68,280	63,886	132,166
2023-2027	363,915	296,915	660,830
2028-2032	404,483	256,347	660,830
2033-2037	449,573	211,257	660,830
2038-2042	499,690	161,140	660,830
2043-2047	555,394	105,436	660,830
2048-2052	617,308	43,522	660,830
2053	64,721	686	65,407
Total	\$ 3,977,499	\$ 1,428,178	\$ 5,405,677

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS

PENSIONS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (the System) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. The System's Board of Trustees is primarily responsible for the administration of the System.

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:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions>

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:

Tier Definition

- 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 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.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

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 2017, 2016 and 2015, 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.

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. Employee contributions were \$41,973, \$39,986 and \$39,326, for the years ended December 31, 2017, 2016, and 2015, respectively. The payroll subject to pension for the Authority's employees covered by PERS was \$577,348, \$553,785 and \$562,615 for the years ended December 31, 2017, 2016 and 2015, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The Authority's required annual contributions to the PERS were \$77,315, \$72,864 and \$64,187 for the years ended December 31, 2017, 2016, and 2015, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2017, 2016 and 2015 was 13.39%, 13.16% and 11.41%, respectively.

At December 31, 2017 and 2016, the Authority reported a liability of \$1,942,771 and \$2,429,151, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015. At June 30, 2017, the Authority's proportion was 0.0083458082%, which was an increase of 0.0001439654% from its proportion measured as of June 30, 2016. At June 30, 2016, the Authority's proportion was 0.0082018428%, which was an increase of 0.0007359099% from its proportion measured as of June 30, 2015.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

At December 31, 2017 and 2016, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience	\$ 45,746	\$ -	\$ 45,175	\$ -
Changes of Assumptions	391,401	389,966	503,190	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,229	-	92,626	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	136,939	24,316	144,734	33,256
Authority Contributions Subsequent to the Measurement Date	<u>38,658</u>	<u>-</u>	<u>36,432</u>	<u>-</u>
	<u>\$625,973</u>	<u>\$414,282</u>	<u>\$822,157</u>	<u>\$ 33,256</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

The Authority will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	-
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	5.00	-

Deferred outflows of resources related to pensions in the amount of \$38,658 will be included as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>Dec 31,</u>	
2018	\$ 31,381
2019	31,381
2020	31,381
2021	31,381
2022	31,381
2023	<u>16,128</u>
	<u><u>\$ 173,033</u></u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2017 and 2016 measurement dates were determined by actuarial valuations as of July 1, 2016 and 2015, respectively, which were rolled forward to June 30, 2017 and 2016, respectively.

These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25%	3.08%
Salary Increases:		
2012-2021	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

Post-retirement 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 2013 based on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	June 30, 2017		June 30, 2016	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Buyouts/Venture Capital	8.25%	13.08%		
Cash	5.50%	1.00%	5.00%	0.87%
Commodities			0.50%	5.45%
Credit Originated Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%	9.00%	12.40%
Debt Related Real Estate	1.00%	6.61%		
Emerging Market Equities	6.50%	11.64%	6.50%	9.95%
Equity Related Real Estate	6.25%	9.23%		
Global Debt ex U.S.			5.00%	-0.25%
Global Diversified Credit	5.00%	7.10%		
Hedge Funds / Absolute Return			12.50%	4.68%
Inflation-Indexed Bonds			1.50%	3.44%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
Non-U.S. Developed Markets	11.50%	9.00%	13.25%	6.83%
Private Real Estate	2.50%	11.83%		
Public High Yield Bonds	2.50%	6.82%	2.00%	4.56%
Real Estate (Property)			2.00%	6.91%
REIT			5.25%	5.63%
U.S. Equity	30.00%	8.19%	26.00%	8.53%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarial determined contributions and the local employer's contributed 100% of their actuarially required 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 2040. Therefore, the long-term expected rate of return of plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability at June 30, 2017 and 2016, respectively, 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% lower or 1% higher than the current rates used:

	June 30, 2017		
	1% Decrease <u>4.00%</u>	Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 2,410,139</u>	<u>\$ 1,942,771</u>	<u>\$ 1,553,395</u>
	June 30, 2016		
	1% Decrease <u>2.98%</u>	Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 2,976,641</u>	<u>\$ 2,429,151</u>	<u>\$ 1,977,150</u>

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In October 2004 (effective January 1, 2005) the Authority adopted a resolution authorizing participation in the SHBP's post-retirement benefit program. Pursuant to that resolution, the Authority pays 100% of the premium charges for the benefits provided to certain eligible pensioners who are age 55 or older, who retire with 25 years or more of service in the retirement system and 20 years of service with the Authority, and their dependents, covered by the New Jersey SHBP and reimburses retired employees and their spouses for their premium charges under Part B of the Federal Medicare Program.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP.

That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at:

<http://www.state.nj.us/treasury/pensions/documnets/financial/audit-rpts-2016/audit-shbp17.pdf>

Funding Policy – Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to and paid by the Authority on a monthly basis. Plan members are not required to contribute to the cost of those premiums.

The Authority contributions to SHBP for retirees for the years ended December 31, 2017, 2016, and 2015, were \$89,787 \$62,537 and \$49,319, respectively, which equaled the required contributions for each year. There were 6, 5 and 5 retired participants eligible at December 31, 2017, 2016 and 2015, respectively.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 6 DETAILED NOTES – NET POSITION

UNRESTRICTED NET POSITION

Designated Net Position

The Authority has, by resolution, designated a portion of its Unrestricted Net Position as of December 31, 2017 and 2016 for the following purposes:

Renewal and Replacement – As of December 31, 2017 and 2016, the Authority has designated \$976,090 and \$780,428, respectively for sewer capital improvements. As of December 31, 2017 and 2016, the Authority has designated \$152,859 and \$93,859, respectively for water capital improvements.

Subsequent Year's Budget – As of December 31, 2017 and 2016, the Authority has designated \$416,824 and \$386,475, respectively for the subsequent year's Sewer operating budgets. As of December 31, 2017 and 2016, the Authority has designated \$247,382 and \$325,240, respectively for the subsequent year's Water operating budgets.

The unrestricted net position as of December 31, 2017 and 2016 is comprised of the following:

	2017		2016	
	Sewer	Water	Sewer	Water
Total Unrestricted Net Position (Deficit) - (GAAP)	\$ 951,121	\$(251,455)	\$ 778,834	\$ (47,953)
Cumulative Effect of the Pension Liability and Related Items (GASB 68 and 71)	1,020,497	826,556	966,624	782,922
Total Unrestricted Net Position (Budgetary Basis)	1,971,618	575,101	1,745,458	734,969
Less:				
Designated for Renewal and Replacement	976,090	152,859	780,428	93,859
Designated for Operating Budget	416,824	247,382	386,475	325,240
Total Unrestricted and Undesignated (Budgetary Basis)	\$ 578,704	\$ 174,860	\$ 578,555	\$ 315,870

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

NOTE 7 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has coverage through the New Jersey Utilities Authority Joint Insurance Fund (JIF) and has insurance coverage for the risk of loss related to Property, Boiler & Machinery Systems Breakdown, Inland Marine and Auto Physical Damage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Deductible and Coverage Limits are as follows:

<u>Coverage</u>	<u>Deductible</u>	<u>Amount</u>
Any One Occurrence Limit	\$ 25,000	\$ 150,000,000
Boiler & Machinery-Equipment Breakdown	5,000	150,000,000
Underground & Outfall Pipe	100,000	5,000,000
Mobile & Contractors Equipment	25,000	5,000,000

The JIF provides its own financial report for the year ended December 31, 2017, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
c/o PERMA Risk Management
9 Campus Dr. Suite 216
Parsippany NJ 07054

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE, EMPLOYER CONTRIBUTIONS AND NOTES
STATE OF NEW JERSEY PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
FOR THE LAST FIVE YEARS**

Schedule of Proportionate Share of Net Pension Liability on the Measurement Date Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0083458082%	0.0082018428%	0.0074659329%	0.0077315763%	0.0074885905%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,942,771	\$ 2,429,151	\$ 1,675,952	\$ 1,447,563	\$ 1,431,218
Authority's Covered-Employee Payroll	\$ 578,192	\$ 562,176	\$ 515,000	\$ 534,684	\$ 516,568
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	336.01%	432.10%	325.43%	270.73%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Schedule of the Authority Contributions for the Year Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 77,315	\$ 72,864	\$ 64,187	\$ 63,738	\$ 56,425
Contributions in Relation to the Contractually Required Contribution	(77,315)	(72,864)	(64,187)	(63,738)	(56,425)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 577,348	\$ 553,785	\$ 562,615	\$ 527,578	\$ 534,684
Contributions as a Percentage of Authority's Covered-Employee Payroll	13.39%	13.16%	11.41%	12.08%	10.55%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no significant changes in benefits for the July 1, 2016 and 2015 actuarial valuation.

Changes in Assumptions - In accordance with Paragraph 44 of GASB Statement No. 67 the discount rate for June 30, changed as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	5.00%	3.98%	4.90%	5.39%	5.55%

Schedule Presentation - These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	SEWER OPERATION				WATER OPERATION				TOTAL	
	NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED		NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED		2017 (MEMO)	2016 (MEMO)
			UNDESIGNATED	DESIGNATED			UNDESIGNATED	DESIGNATED		
OPERATING REVENUE:										
User Charges	\$	\$	\$ 1,293,936	\$	\$	\$	\$ 716,416	\$	\$ 2,010,352	\$ 1,998,109
Interest on Delinquent Accounts			28,669				13,510		42,179	43,328
Septage Fees			441,621				-		441,621	406,995
Connection Fees			140,000				2,268		142,268	134,972
Miscellaneous Income			-				5,198		5,198	35,738
	-	-	1,904,226	-	-	-	737,392	-	2,641,618	2,619,142
OPERATING EXPENSES:										
Cost of Providing Services			925,641				531,298		1,456,939	1,447,032
Administrative and General			264,775				203,326		468,101	497,045
Depreciation	324,910		3,452		117,631		13,220		459,213	442,541
	324,910	-	1,193,868	-	117,631	-	747,844	-	2,384,253	2,386,618
OPERATING INCOME (LOSS)	(324,910)	-	710,358	-	(117,631)	-	(10,452)	-	257,365	232,524
NON-OPERATING REVENUE (EXPENSES):										
Interest Income			8,701				3,461		12,162	6,830
Municipal Appropriation to Borough of Buena			(70,000)				(40,000)		(110,000)	
Miscellaneous Income	12,136		(9,708)		12,136		16,710		31,274	49,664
Interest Expense	(440)		(83,993)		(171)		(5,157)		(89,761)	(96,508)
	11,696	-	(155,000)	-	11,965	-	(24,986)	-	(156,325)	(40,014)
INCOME (LOSS) BEFORE TRANSFERS	(313,214)	-	555,358	-	(105,666)	-	(35,438)	-	101,040	192,510
TRANSFERS	383,071		(609,082)	226,011	168,064		(149,206)	(18,858)	-	-
INCREASE (DECREASE) IN NET POSITION	69,857	-	(53,724)	226,011	62,398	-	(184,644)	(18,858)	101,040	192,510
NET POSITION - JANUARY 1,	3,699,280	108,000	(388,069)	1,166,903	2,516,268	42,000	(467,052)	419,099	7,096,429	6,903,919
NET POSITION - DECEMBER 31,	\$ 3,769,137	\$ 108,000	\$ (441,793)	\$ 1,392,914	\$ 2,578,666	\$ 42,000	\$ (651,696)	\$ 400,241	\$ 7,197,469	\$ 7,096,429
UNRESTRICTED NET POSITION (DEFICIT)- UNDESIGNATED-										
Cumulative Effect of the Pension Liability (GASB 68 and 71) Before GASB 68 and 71 Pension Related Items			\$ (1,020,497)				\$ (826,556)			
			578,704				174,860			
			\$ (441,793)				\$ (651,696)			

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
ASSETS:						
CURRENT ASSETS - UNRESTRICTED:						
Cash	\$ 565,542	\$ 336,332	\$ 901,874	\$ 704,105	\$ 419,476	\$ 1,123,581
Accounts Receivable, Net of Allowance for Doubtful Accounts	155,511	96,880	252,391	136,195	99,052	235,247
Inventory	31,803	21,202	53,005	33,728	18,256	51,984
Due from Vendor	6,709	3,326	10,035	6,709	3,632	10,341
Prepaid Expenses			-	2,179	1,179	3,358
Total Current Assets - Unrestricted	759,565	457,740	1,217,305	882,916	541,595	1,424,511
CURRENT ASSETS - RESTRICTED:						
Accounts Required by the General Bond Resolution:						
Cash	109,162	42,452	151,614	108,780	42,304	151,084
Other:						
Cash	1,390,568	306,779	1,697,347	1,135,589	391,821	1,527,410
Total Current Assets - Restricted	1,499,730	349,231	1,848,961	1,244,369	434,125	1,678,494
NONCURRENT ASSETS:						
Capital Assets, Net of Accumulated Depreciation	7,551,583	2,773,089	10,324,672	7,763,028	2,872,940	10,635,968
Total Noncurrent Assets	7,551,583	2,773,089	10,324,672	7,763,028	2,872,940	10,635,968
TOTAL ASSETS	9,810,878	3,580,060	13,390,938	9,890,313	3,848,660	13,738,973
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Loss on Defeasance of Debt	454	177	631	894	348	1,242
Deferred Amount Relating to Pensions	345,850	280,123	625,973	454,242	367,915	822,157
TOTAL DEFERRED OUTFLOWS OF RESOURCES	346,304	280,300	626,604	455,136	368,263	823,399

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	2017			2015		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
LIABILITIES:						
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:						
Accounts Payable - Operations	\$ 28,702	\$ 16,351	\$ 45,053	\$ 21,775	\$ 31,616	\$ 53,391
Accrued Liabilities	57,255	36,371	93,626	50,785	38,304	89,089
Total Current Liabilities Payable From Unrestricted Assets	85,957	52,722	138,679	72,560	69,920	142,480
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Contracts Payable			-	22,100	85,631	107,731
Revenue Bonds Payable - Current Portion	343,544	109,200	452,744	259,432	77,000	336,432
Accrued Interest Payable - Bonds and Notes	839	326	1,165	1,170	455	1,625
Developer Escrow Liability	6,334	6,334	12,668	3,015	1,632	4,647
Total Current Liabilities Payable From Restricted Assets	350,717	115,860	466,577	285,717	164,718	450,435
LONG-TERM LIABILITIES:						
Accrued Liability Pension - Non-Current Portion	21,359	17,299	38,658	20,129	16,303	36,432
Revenue Bonds Payable - Non-Current Portion	3,439,355	85,400	3,524,755	3,782,899	194,600	3,977,499
Accrued Compensated Absences	43,617	29,078	72,695	41,681	22,561	64,242
Net Pension Liability	1,073,381	869,390	1,942,771	1,342,106	1,087,045	2,429,151
Total Long-Term Liabilities	4,577,712	1,001,167	5,578,879	5,186,815	1,320,509	6,507,324
TOTAL LIABILITIES	5,014,386	1,169,749	6,184,135	5,545,092	1,555,147	7,100,239
DEFERRED INFLOWS OF RESOURCES:						
Deferred Revenue	17,627	105,837	123,464	1,849	105,651	107,500
Deferred Amount Relating to Pensions	228,891	185,391	414,282	18,374	14,882	33,256
Deferred Connection Fees	68,020	30,172	98,192	194,020	30,928	224,948
TOTAL DEFERRED INFLOWS OF RESOURCES	314,538	321,400	635,938	214,243	151,461	365,704
NET POSITION:						
Net Investment in Capital Assets	3,769,137	2,578,666	6,347,803	3,699,280	2,516,268	6,215,548
Restricted:						
Bond Reserve Fund	108,000	42,000	150,000	108,000	42,000	150,000
Unrestricted (Deficit)	951,121	(251,455)	699,666	778,834	(47,953)	730,881
TOTAL NET POSITION	\$ 4,828,258	\$ 2,369,211	\$ 7,197,469	\$ 4,586,114	\$ 2,510,315	\$ 7,096,429

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
OPERATING REVENUE:						
User Charges and Fees	\$ 1,293,936	\$ 716,416	\$ 2,010,352	\$ 1,268,562	\$ 729,547	\$ 1,998,109
Interest on Delinquent Accounts	28,669	13,510	42,179	29,791	13,537	43,328
Septage Fees	441,621		441,621	406,995		406,995
Connection Fees	140,000	2,268	142,268	126,920	8,052	134,972
Miscellaneous Income	-	5,198	5,198	21	35,717	35,738
Total Operating Revenue	1,904,226	737,392	2,641,618	1,832,289	786,853	2,619,142
OPERATING EXPENSES:						
Cost of Providing Services	925,641	531,298	1,456,939	900,249	546,783	1,447,032
Administrative and General	264,775	203,326	468,101	250,928	246,117	497,045
Depreciation	328,362	130,851	459,213	324,910	117,631	442,541
Total Operating Expenses	1,518,778	865,475	2,384,253	1,476,087	910,531	2,386,618
OPERATING INCOME (LOSS)	385,448	(128,083)	257,365	356,202	(123,678)	232,524
NON-OPERATING REVENUE (EXPENSES):						
Interest Income	8,701	3,461	12,162	3,254	3,576	6,830
Municipal Appropriation to Borough of Buena	(70,000)	(40,000)	(110,000)			-
Miscellaneous Income	2,428	28,846	31,274	12,136	37,528	49,664
Interest Expense	(84,433)	(5,328)	(89,761)	(89,651)	(6,857)	(96,508)
Total Non-Operating Revenue (Expenses)	(143,304)	(13,021)	(156,325)	(74,261)	34,247	(40,014)
CHANGE IN NET POSITION	242,144	(141,104)	101,040	281,941	(89,431)	192,510
NET POSITION - BEGINNING	4,586,114	2,510,315	7,096,429	4,304,173	2,599,746	6,903,919
NET POSITION- DECEMBER 31,	\$ 4,828,258	\$ 2,369,211	\$ 7,197,469	\$ 4,586,114	\$ 2,510,315	\$ 7,096,429

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	SEWER OPERATIONS			WATER OPERATIONS		
	2017 BUDGET	2017 ACTUAL	2016 ACTUAL	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
REVENUE:						
User Charges and Fees	\$ 1,262,890	\$ 1,293,936	\$ 1,268,562	\$ 709,562	\$ 716,416	\$ 729,547
Interest on Delinquent Accounts	25,000	28,669	29,791	12,000	13,510	13,537
Connection Fees	17,500	140,000	126,920	3,780	2,268	8,052
Septage Fees	250,000	441,621	406,995			
Miscellaneous Operating Income	1,000		21	2,000	5,198	35,717
Miscellaneous Non-Operating Income		2,428	12,136	25,000	28,846	37,528
Interest on Investments	2,500	8,701	3,254	1,000	3,461	3,576
Total Revenue	1,558,890	1,915,355	1,847,679	753,342	769,699	827,957
EXPENSES:						
Costs of Providing Services:						
Salaries and Wages	290,380	296,740	286,225	220,800	227,947	215,841
Employee Benefits	189,268	172,850	134,724	138,340	134,557	96,169
Automotive Expenses	10,000	8,801	6,528	10,000	3,609	9,286
Office Supplies - Plant	3,000	2,123	1,453	2,000	547	548
Operating Supplies	130,000	128,690	119,397	51,000	4,988	67,642
Utilities	185,000	161,305	175,567	80,000	89,236	75,181
Repairs and Maintenance	150,000	97,423	77,922	20,000	25,228	14,062
Laboratory Supplies	8,000	4,967	5,913	4,000	2,720	3,624
Laboratory Testing	20,000	9,644	7,546	5,000	2,810	3,276
General Expense				1,000		60
Public Water Tax				2,000	1,708	2,160
	985,648	882,543	815,275	534,140	493,350	487,849
Administrative and General Expenses:						
Salaries and Wages	65,910	65,914	64,327	65,910	65,480	63,994
Employee Benefits	37,360	37,892	58,414	37,360	37,860	58,389
Office Supplies and Expenses	8,500	7,022	7,445	8,000	7,022	7,444
Computer Expense	10,000	4,536	5,419	10,000	9,036	9,621
Professional Services	96,000	79,468	41,154	56,000	38,832	50,976
Insurance	22,000	21,768	15,571	22,000	13,471	15,572
Postage/Billing	6,000	3,343	4,204	6,000	3,686	4,536
Telephone	6,000	4,989	5,293	6,000	5,747	5,293
Education	5,000	4,269	3,858	4,000	3,896	3,140
Legal Advertising	1,000	1,379	1,074	1,000	914	921
Licenses, Fees, Permits and Assessments	30,000	23,420	22,926	10,000	8,655	9,025
	287,770	254,000	229,685	226,270	194,599	228,911
Interest Expense	84,325	83,993	89,003	5,285	5,157	6,605

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	SEWER OPERATIONS			WATER OPERATIONS		
	2017 BUDGET	2017 ACTUAL	2016 ACTUAL	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
OTHER COSTS FUNDED BY REVENUES:						
Principal Maturities	\$ 259,432	\$ 259,432	\$ 250,948	\$ 77,000	\$ 77,000	\$ 74,200
Renewal and Replacement Reserves	280,000	280,000	375,000	90,000	90,000	275,000
Municipal Appropriation to Borough of Buena	70,000	70,000		40,000	40,000	
	<u>609,432</u>	<u>609,432</u>	<u>625,948</u>	<u>207,000</u>	<u>207,000</u>	<u>349,200</u>
TOTAL COSTS FUNDED BY REVENUES	<u>1,967,175</u>	<u>1,829,968</u>	<u>1,759,911</u>	<u>972,695</u>	<u>900,106</u>	<u>1,072,565</u>
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	<u>\$ (408,285)</u>	85,387	87,768	<u>\$ (219,353)</u>	(130,407)	(244,608)
Reconciliation of Budgetary Basis to Change in Net Position						
Adjustments to Budgetary Basis:						
Principal Maturities		259,432	250,948		77,000	74,200
Other Reserves		280,000	375,000		90,000	275,000
Depreciation		(328,362)	(324,910)		(130,851)	(117,631)
Change in Allowance for Doubtful Accounts					(3,041)	9,891
Amortization Charged to Interest Expense		(440)	(648)		(171)	(252)
Pension Expense - Difference Between GAAP vs. Budgetary:						
Administrative and General Expenses		(10,775)	(21,243)		(8,727)	(17,206)
Cost of Providing Services		(43,098)	(84,974)		(34,907)	(68,825)
CHANGE IN NET POSITION PER SCHEDULE 3		<u>\$ 242,144</u>	<u>\$ 281,941</u>		<u>\$ (141,104)</u>	<u>\$ (89,431)</u>

SCHEDULE 4A

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF RECONCILIATION OF BUDGETARY REVENUES AND
COSTS FUNDED BY REVENUES TO CHANGE IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES (BUDGETARY BASIS):		
Sewer Operations	\$ 85,387	\$ 87,768
Water Operations	<u>(130,407)</u>	<u>(244,608)</u>
	(45,020)	(156,840)
Increased By:		
Principal Maturities	336,432	325,148
Other Reserves	370,000	650,000
Change in Allowance for Doubtful Accounts	<u>(3,041)</u>	<u>9,891</u>
	658,371	828,199
Reduced By:		
Depreciation	(459,213)	(442,541)
Amortization Charged to Interest Expense	(611)	(900)
Pension Expense - Difference Between GAAP vs. Budgetary:		
Administrative and General Expenses	(19,502)	(38,449)
Cost of Providing Services	<u>(78,005)</u>	<u>(153,799)</u>
CHANGE IN NET POSITION PER EXHIBIT B	<u>\$ 101,040</u>	<u>\$ 192,510</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2013
DECEMBER 31, 2017**

<u>ORIGINAL</u>		<u>MATURITIES</u>			<u>BALANCE</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE</u>
<u>DATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>JANUARY 1,</u>	<u>2017</u>	<u>2017</u>	<u>DECEMBER 31,</u>
					<u>2017</u>			<u>2017</u>
6/28/2013	\$ 3,549,000	2.125%	2018	\$ 62,744	\$ 3,343,931	\$ -	\$ 61,432	\$ 3,282,499
			2019	64,085				
			2020	65,454				
			2021	66,852				
			2022	68,281				
			2023	69,739				
			2024	71,229				
			2025	72,750				
			2026	74,305				
			2027	75,892				
			2028	77,513				
			2029	79,169				
			2030	80,861				
			2031	82,588				
			2032	84,352				
			2033	86,154				
			2034	87,995				
			2035	89,875				
			2036	91,795				
			2037	93,755				
			2038	95,758				
			2039	97,804				
			2040	99,894				
			2041	102,027				
			2042	104,207				
			2043	106,433				
			2044	108,707				
			2045	111,029				
			2046	113,401				
			2047	115,824				
			2048	118,298				
			2049	120,825				
			2050	123,406				
			2051	126,042				
			2052	128,736				
			2053	64,720				
					<u>\$ 3,343,931</u>	<u>\$ -</u>	<u>\$ 61,432</u>	<u>\$ 3,282,499</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF REVENUE REFUNDING BONDS PAYABLE - SERIES 2014
 DECEMBER 31, 2017**

<u>ORIGINAL</u>		<u>MATURITIES</u>			<u>BALANCE</u>	<u>ISSUED</u>	<u>PRINCIPAL</u>	<u>BALANCE</u>
<u>DATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>JANUARY 1,</u>	<u>2017</u>	<u>MATURITIES</u>	<u>DECEMBER 31,</u>
					<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>
10/31/2014	\$ 1,500,000	1.946%	12/1/2018	\$ 390,000	\$ 970,000	\$ -	\$ 275,000	\$ 695,000
			12/1/2019	305,000				
					<u>\$ 970,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 695,000</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS**

The following officials were in office during the period under review:

Authority Members

Position

Joseph Santagata	Chairman
Richard Baker	Vice Chairman
John Formisano	Member
Robert Delano	Member
Jeffrey Johnson	Member
Johnathan Alvarez	Alternate #1

Other Officials

Cheryl Santore	Secretary/Treasurer and Financial Officer
Testa, Heck, Scrocca & Testa, P.A.	Solicitor

Surety Company

New Jersey Utility Authorities Joint Insurance Fund

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* or with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None noted.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* or with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

No prior year findings noted.