

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**

**AUDIT REPORT**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**



*Borough of Buena  
Municipal Utilities Authority*



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**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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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, 2016 and 2015, 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 September 13, 2017 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

A handwritten signature in blue ink that reads "Romano, Hearing, Testa & Knorr". The signature is written in a cursive, flowing style.

Certified Public Accountants

September 13, 2017

**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, 2016 and 2015, 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 September 13, 2017.

**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.

## **Internal Control Over Financial Reporting (Continued)**

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

September 13, 2017



## 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, 2016. 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 2016, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application (GASB 72)*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73)*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76)*, GASB Statement No. 77, *Tax Abatement Disclosures (GASB 77)*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans (GASB 78)* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants (GASB 79)*. The notes to the financial statements provide a more thorough discussion of the implementation of GASBs and they have no material effect to the 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.

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**SEWER OPERATION**

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**FINANCIAL HIGHLIGHTS – SEWER OPERATIONS**

- The Net Capital Assets of the Authority's Sewer Operation total \$7.76 million, which is a \$222 thousand or 2.78% decrease from 2015. Even though there were current year additions to capital assets, this decrease is mainly attributable to the current year depreciation.
- The Total Assets of the Authority's Sewer Operation increased \$168 thousand to \$9.9 million in 2016. The increase was mainly attributable to the net income which caused cash reserves to increase.
- During the year, the operating revenues of the Authority's Sewer Operation were \$1.83 million which is a \$181 thousand or 10.96% increase from 2015 and its operating expenses increased by \$113 thousand to \$1.48 million compared to 2015, an increase of 8.29%.
- The Total Net Position of the Authority's Sewer Operation increased from last year by \$282 thousand to \$4.6 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.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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)**

	2016	2015	2014	2016-2015		2015-2014	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Current Assets-Unrestricted	\$ 883	\$ 565	\$ 563	\$ 318	36.01%	\$ 2	0.36%
Current Assets-Restricted	1,244	1,172	1,004	72	6.14%	168	16.73%
Noncurrent Assets	7,763	7,985	8,156	(222)	(2.78%)	(171)	(2.10%)
Total Assets	9,890	9,722	9,723	168	1.73%	(1)	(0.01%)
Deferred Outflows Of Resources	455	158	67	297	187.97%	91	135.82%
Current Liabilities	73	73	66	-	0.00%	7	10.61%
Current Liabilities Payable From Restricted Assets	286	255	256	31	12.16%	(1)	(0.39%)
Long-Term Liabilities	5,186	5,031	5,147	155	3.08%	(116)	(2.25%)
Total Liabilities	5,545	5,359	5,469	186	3.35%	(110)	(2.01%)
Deferred Inflows Of Resources	214	217	215	(3)	(1.38%)	2	0.93%
Net Investment in Capital Assets	3,699	3,691	3,612	8	0.22%	79	2.19%
Restricted Net Position	108	108	108	-	0.00%	-	0.00%
Unrestricted Net Position	779	505	386	274	54.26%	119	30.83%
Total Net Position	\$4,586	\$4,304	\$4,106	\$ 282	6.15%	\$ 198	4.82%

The increase in current assets is primarily the net result of increases in cash and inventory. There were decreases in accounts receivable and prepaid expenses, however, the increases in cash and inventory outweigh those decreases.

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 increase in deferred amount relating to pensions.

While current liabilities have remained the same value, they represent the current operating expense accounts payable and accrued expenses along with the current accrued payroll liabilities.

The increase in current liabilities payable from restricted assets is primarily the result of increases in contracts payable and the current portion of revenue bonds payable.

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

**FINANCIAL HIGHLIGHTS – SEWER OPERATIONS (CONTINUED)**

The increase in long-term liabilities is the net result of the decrease in the principal maturities of revenue bonds and accrued compensation with the increase 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)**

	2016	2015	2014	2016-2015		2015-2014	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Operating Revenue							
User Charges & Fees	\$1,269	\$1,270	\$1,258	\$ (1)	(0.08%)	\$ 12	0.95%
Septage Fees	407	342	278	65	19.01%	64	23.02%
Other Operating	157	40	42	117	292.50%	(2)	(4.76%)
Nonoperating Revenue	15	3	1	12	400.00%	2	200.00%
Total Revenue	<u>1,848</u>	<u>1,655</u>	<u>1,579</u>	<u>193</u>	<u>11.66%</u>	<u>76</u>	<u>4.81%</u>
Operating Expenses							
Cost of Providing Services	900	810	720	90	11.11%	90	12.50%
Administrative and General	251	231	239	20	8.66%	(8)	(3.35%)
Depreciation	325	322	330	3	0.93%	(8)	(2.42%)
Non Operating Expenses							
Interest & Amortization Expense	90	94	196	(4)	(4.26%)	(102)	(52.04%)
Total Expenses	<u>1,566</u>	<u>1,457</u>	<u>1,485</u>	<u>109</u>	<u>7.48%</u>	<u>(28)</u>	<u>(1.89%)</u>
Change in Net Position	282	198	94	84	42.42%	104	110.64%
Beginning Net Position	<u>4,304</u>	<u>4,106</u>	<u>4,012</u>	<u>198</u>	<u>4.82%</u>	<u>94</u>	<u>2.34%</u>
Ending 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>

**REVENUES AND EXPENSES – SEWER OPERATIONS**

The total revenues of the Authority's Sewer Operation are approximately \$1.85 million for the year ended December 31, 2016. User Charges and Fees were \$1.27 million, accounting for 68.66% of total revenue. Septage Fees were \$0.41 million, accounting for 22.02% of total revenue. Of the Operating Expenses, the cost of providing services, which totaled \$0.90 million, increased \$90 thousand from the prior year, and the administrative and general expenses, which totaled \$0.25 million, increased \$20 thousand from the prior year.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS**

**Capital Assets**

At the end of December 2016, the Authority's Sewer Operation had \$7.8 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 \$.325 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, 2016.

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

	2016	2015	2014	2016-2015		2015-2014	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Land	\$ 486	\$ 486	\$ 486	\$ -	0.00%	\$ -	0.00%
Treatment Plant and Facilities	5,961	6,192	6,374	(231)	(3.73%)	(182)	(2.86%)
Pumping Stations and Interceptors and Improvements	1,055	1,112	1,168	(57)	(5.13%)	(56)	(4.79%)
Machinery and Equipment	224	180	113	44	24.44%	67	59.29%
Construction in Progress	37	15	15	22	146.67%	-	0.00%
<b>Total</b>	<b>\$7,763</b>	<b>\$7,985</b>	<b>\$8,156</b>	<b>\$ (222)</b>	<b>(2.78%)</b>	<b>\$ (171)</b>	<b>(2.10%)</b>

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

Machinery and Equipment	\$ 81
Construction in Progress	<u>22</u>
	<u>\$ 103</u>

The Authority's FY 2017 capital budget plans for investing another \$0.685 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 185
Lines and Laterals	315
Machinery and Equipment	130
Purchase Property	<u>55</u>
<b>Total</b>	<u>\$ 685</u>

The Authority plans on funding those capital projects using a combination of existing cash, including reserves and year 2017 revenue.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS (CONTINUED)**

**Debt Administration**

At December 31, 2016, the Authority's Sewer Operation had several outstanding bonds payable in the amount of \$4,042,331 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 2017 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.

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**WATER OPERATION**

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**FINANCIAL HIGHLIGHTS – WATER OPERATIONS**

- The Net Capital Assets of the Authority's Water Operation total \$2.9 million, which is an increase of \$103 thousand or 3.72% from 2015.
- The Total Assets of the Authority's Water Operation increased 0.96% from the prior year to \$3.84 million.
- During the year, the operating revenues of the Authority's Water Operation were \$.765 million which is a \$20 thousand or 2.54% decrease from 2015 and operating expenses were \$.910 million, which is a 12.22% increase from 2015.
- The total net position of the Authority's Water Operation decreased from last year by \$90 thousand.

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



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

**FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)**

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

	2016	2015	2014	2016-2015		2015-2014	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Current Assets-Unrestricted	\$ 542	\$ 760	\$ 889	\$(218)	(28.68%)	\$(129)	(14.51%)
Current Assets-Restricted	434	277	188	157	56.68%	89	47.34%
Noncurrent Assets	2,873	2,770	2,792	103	3.72%	(22)	(0.79%)
Total Assets	3,849	3,807	3,869	42	1.10%	(62)	(1.60%)
Deferred Outflows of Resources	368	128	53	240	187.50%	75	141.51%
Current Liabilities	70	32	35	38	118.75%	(3)	(8.57%)
Current Liabilities Payable From Restricted Assets	164	75	76	89	118.67%	(1)	(1.32%)
Long-Term Liabilities	1,321	1,066	1,037	255	23.92%	29	2.80%
Total Liabilities	1,555	1,173	1,148	382	32.57%	25	2.18%
Deferred Inflows of Resources	152	162	171	(10)	(6.17%)	(9)	(5.26%)
Net Investment in Capital Assets	2,516	2,424	2,373	92	3.80%	51	2.15%
Restricted Net Position	42	42	42	-		-	
Unrestricted Net Position (Deficit)	(48)	134	188	(182)	(135.82%)	(54)	(28.72%)
Total Net Position	\$2,510	\$2,600	\$2,603	\$ (90)	(3.46%)	\$ (3)	(0.12%)

Total current assets decreased due to the net result of the decreases in cash, accounts receivable, inventory and due from vendor and the increase in prepaid expenses.

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

The increase in deferred outflows of resources is the result of an increases in deferred amount relating to pensions.

The increase in current liabilities payable from unrestricted assets is due to the increase in accounts payable and accrued liabilities.

The increase in current liabilities payable from restricted assets is primarily the result of an increase in contracts payable.

The increase in long-term liabilities is the net result of the increase in the net pension liability outweighing the decreases in principal maturities of revenue bonds and accrued compensated absences. Compensated absences decreased as a result of the retirement of an employee.

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

**FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)**

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)**

	2016	2015	2014	2016-2015		2015-2014	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Operating Revenue							
User Charges & Fees	\$ 730	\$ 756	\$ 742	\$ (26)	(3.44%)	\$ 14	1.89%
Other Operating	57	32	28	25	78.13%	4	14.29%
Nonoperating Revenue	41	27	44	14	51.85%	(17)	(38.64%)
Total Revenue	<u>828</u>	<u>815</u>	<u>814</u>	<u>13</u>	<u>1.60%</u>	<u>1</u>	<u>0.12%</u>
Operating Expenses							
Cost of Providing Services	557	471	426	86	18.26%	45	10.56%
Administrative and General	236	216	222	20	9.26%	(6)	(2.70%)
Depreciation	118	123	126	(5)	(4.07%)	(3)	(2.38%)
Non Operating Expense							
Interest, Amortization and Debt Issue Costs	<u>7</u>	<u>8</u>	<u>35</u>	<u>(1)</u>	<u>(12.50%)</u>	<u>(27)</u>	<u>(77.14%)</u>
Total Expenses	<u>918</u>	<u>818</u>	<u>809</u>	<u>100</u>	<u>12.22%</u>	<u>9</u>	<u>1.11%</u>
Change in Net Position	(90)	(3)	5	(87)	2900.00%	(8)	160.00%
Beginning Net Position	<u>2,600</u>	<u>2,603</u>	<u>2,598</u>	<u>(3)</u>	<u>(0.12%)</u>	<u>5</u>	<u>0.19%</u>
Ending Net Position	<u>\$2,510</u>	<u>\$2,600</u>	<u>\$2,603</u>	<u>\$ (90)</u>	<u>(3.46%)</u>	<u>\$ (3)</u>	<u>(0.12%)</u>

**REVENUES AND EXPENSES – WATER OPERATIONS**

The total revenues of the Authority's Water Operation are approximately \$.83 million for the year ended December 31, 2016. User Charges and Fees were \$.73 million, accounting for 88.04% of total revenue. Operating expenses include cost of providing services, which totaled \$.557 million, a \$86 thousand increase, and administrative and general expenses of \$.236 million, an \$20 thousand increase.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION – WATER OPERATIONS**

**Capital Assets**

At the end of December 2016, the Authority's Water Operation had \$2.87 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 \$.118 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, 2016.

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

	2016	2015	2014	2016-2015		2015-2014	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Land	\$ 4	\$ 4	\$ 4	\$ -	-	\$ -	-
Water Distribution System	2,667	2,660	2,777	7	0.26%	(117)	(4.21%)
Machinery and Equipment	202	106	11	96	90.57%	95	863.64%
<b>Total</b>	<b>\$2,873</b>	<b>\$2,770</b>	<b>\$2,792</b>	<b>\$ 103</b>	<b>3.59%</b>	<b>\$ (22)</b>	<b>(0.79%)</b>

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

Machinery and Equipment	\$ 107
Water Distribution	<u>114</u>
	<u>\$ 324</u>

The Authority's FY 2017 capital budget plans for investing another \$.040 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 25
Water Lines and Distribution	<u>15</u>
Total	<u>\$ 40</u>

The Authority plans on funding those capital projects using existing cash, including reserves and 2017 revenue.

**Debt Administration**

At December 31, 2016, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$271,600 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 2017 maintains the same rates for user charges and fees and connection fees for new customers.

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

**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, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS - UNRESTRICTED:</b>		
Cash	\$ 1,123,581	\$ 976,143
Accounts Receivable, Net of Allowance for Doubtful Accounts	235,247	271,245
Inventory	51,984	52,966
Due from Vendor	10,341	10,035
Prepaid Expenses	3,358	13,916
<b>Total Current Assets - Unrestricted</b>	<b>1,424,511</b>	<b>1,324,305</b>
<b>CURRENT ASSETS - RESTRICTED:</b>		
Accounts Required by the General Bond Resolution:		
Cash	151,084	150,556
Other:		
Cash	1,527,410	1,299,226
<b>Total Current Assets - Restricted</b>	<b>1,678,494</b>	<b>1,449,782</b>
<b>NONCURRENT ASSETS:</b>		
Capital Assets, Net of Accumulated Depreciation	10,635,968	10,754,432
<b>Total Noncurrent Assets</b>	<b>10,635,968</b>	<b>10,754,432</b>
<b>TOTAL ASSETS</b>	<b>13,738,973</b>	<b>13,528,519</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Loss on Defeasance of Debt	1,242	2,142
Deferred Amount Relating to Pensions	822,157	284,077
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>823,399</b>	<b>286,219</b>

(Continued)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>		
Accounts Payable - Operations	\$ 53,391	\$ 25,186
Accrued Liabilities	89,089	80,232
	<hr/>	<hr/>
<b>Total Current Liabilities Payable         From Unrestricted Assets</b>	<b>142,480</b>	<b>105,418</b>
	<hr/>	<hr/>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Contracts Payable	107,731	
Revenue Bonds Payable - Current Portion	336,432	325,147
Accrued Interest Payable - Bonds and Notes	1,625	2,070
Developer Escrow Liability	4,647	2,262
	<hr/>	<hr/>
<b>Total Current Liabilities Payable         From Restricted Assets</b>	<b>450,435</b>	<b>329,479</b>
	<hr/>	<hr/>
<b>LONG-TERM LIABILITIES:</b>		
Accrued Liability Pension - Non-Current Portion	36,432	32,094
Revenue Bonds Payable - Non-Current Portion	3,977,499	4,313,932
Accrued Compensated Absences	64,242	74,795
Net Pension Liability	2,429,151	1,675,952
	<hr/>	<hr/>
<b>Total Long-Term Liabilities</b>	<b>6,507,324</b>	<b>6,096,773</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>7,100,239</b>	<b>6,531,670</b>
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Revenue	107,500	107,195
Deferred Amount Relating to Pensions	33,256	69,142
Deferred Connection Fees	224,948	202,812
	<hr/>	<hr/>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>365,704</b>	<b>379,149</b>
	<hr/>	<hr/>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	6,215,548	6,115,355
Restricted:		
Bond Reserve Fund	150,000	150,000
Unrestricted	730,881	638,564
	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<b>\$ 7,096,429</b>	<b>\$ 6,903,919</b>
	<hr/>	<hr/>

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, 2016 AND 2015**

	2016	2015
<b>OPERATING REVENUE:</b>		
User Charges and Fees	\$ 1,998,109	\$ 2,025,975
Interest on Delinquent Accounts	43,328	45,066
Septage Fees	406,995	341,663
Connection Fees	134,972	12,152
Miscellaneous Income	35,738	14,556
<b>Total Operating Revenue</b>	<b>2,619,142</b>	<b>2,439,412</b>
<b>OPERATING EXPENSES:</b>		
Cost of Providing Services	1,447,032	1,280,452
Administrative and General	497,045	446,895
Depreciation	442,541	444,387
<b>Total Operating Expenses</b>	<b>2,386,618</b>	<b>2,171,734</b>
<b>OPERATING INCOME</b>	<b>232,524</b>	<b>267,678</b>
<b>NON-OPERATING REVENUE (EXPENSES):</b>		
Interest Income	6,830	4,211
Miscellaneous Income	49,664	25,392
Interest Expense	(96,508)	(102,159)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>(40,014)</b>	<b>(72,556)</b>
<b>CHANGE IN NET POSITION</b>	<b>192,510</b>	<b>195,122</b>
<b>NET POSITION - JANUARY 1,</b>	<b>6,903,919</b>	<b>6,708,797</b>
<b>NET POSITION- DECEMBER 31,</b>	<b>\$ 7,096,429</b>	<b>\$ 6,903,919</b>

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, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers and Users	\$ 2,484,735	\$ 2,417,283
Cash Payments to Suppliers for Goods and Services	(915,313)	(724,605)
Cash Payments for Employee Services	(805,065)	(946,801)
Other Receipts (Payments)	192,846	16,548
<b>Net Cash Provided by Operating Activities</b>	<b>957,203</b>	<b>762,425</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Other Non-Operating Revenue	49,664	25,392
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>49,664</b>	<b>25,392</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(216,346)	(251,161)
Principal Paid on Bonds and Notes	(325,148)	(323,889)
Interest Paid on Bonds and Notes	(96,053)	(104,981)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(637,547)</b>	<b>(680,031)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Received on Investments	6,830	4,211
<b>Net Cash Provided by Investing Activities</b>	<b>6,830</b>	<b>4,211</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>376,150</b>	<b>111,997</b>
<b>CASH AND CASH EQUIVALENTS - JANUARY 1,</b>	<b>2,425,925</b>	<b>2,313,928</b>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31,</b>	<b>\$ 2,802,075</b>	<b>\$ 2,425,925</b>

(Continued)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 232,524	\$ 267,678
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	442,541	444,387
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	35,998	4,513
Inventory	982	(1,529)
Due from Vendor	(306)	(10,035)
Prepaid Expense	10,558	(11,172)
Accounts Payable	28,205	4,020
Accrued Liabilities	8,857	286
Accrued Compensated Absences	(10,553)	9,828
Developer Escrow Liability	2,385	2
Accrued Liabilities Related to Pensions	757,537	228,389
Deferred Outflows Related to Pensions	(538,080)	(167,237)
Deferred Inflows Related to Pensions	(35,886)	(17,125)
Deferred Connection Fees	22,136	10,359
Deferred User Charges	305	61
Total Adjustments	724,679	494,747
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 957,203</b>	<b>\$ 762,425</b>

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 (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**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, 2016 AND 2015**

**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, 2016 AND 2015**

**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, 2016 AND 2015**

**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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

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 September 13, 2017, the date the financial statements were available for issue.

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.



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

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, 2016, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The Statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 became effective for periods beginning after June 15, 2015. The adoption of GASB 72, however, does not have a material impact on the Authority's financial statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This Statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 became effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Since the Authority's pension falls within the scope of GASB 68, this secondary implementation of provisions does not apply to the Authority. The adoption of GASB 73, therefore, does not have a material impact on the Authority's financial statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 became effective for periods beginning after June 15, 2015. The adoption of GASB 76, however, does not have a material impact on the Authority's financial statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 77, *Tax Abatement Disclosures* (GASB 77). This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement became effective for periods beginning after December 15, 2015. The adoption of GASB 77, however, does not have a material impact on the Authority's financial statements.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

Adoption of Accounting Pronouncements (Continued)

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). This statement establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition of pension liabilities, expense, and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contribution terms; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. GASB 78 became effective for periods beginning after December 15, 2015. The adoption of GASB 78, however, does not have a material impact on the Authority's financial Statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement became effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions became effective for reporting periods beginning after December 15, 2015. The adoption of GASB 79, however, does not have a material impact on the Authority's financial statements.

Recent Accounting Pronouncements Not Yet Effective

In June 2015, the GASB issued 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 will be effective for periods beginning after June 15, 2016. 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 when considered in conjunction with the adoption of Statement No. 75.

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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

Recent Accounting Pronouncements Not Yet Effective (Continued)

In January 2016, the GASB issued 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 will be effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement.

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. GASB 81 will be effective for periods beginning after December 15, 2016. 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 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 this Statement are 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 are 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. 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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

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

Recent Accounting Pronouncements Not Yet Effective (Continued)

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.

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.

**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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

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

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

	2016	2015
Debt Service Reserve Requirement	\$ 150,000	\$ 150,000
Debt Service Reserve Fund Cash & Equivalents Balance	151,084	150,556
Sufficient (Insufficient) Reserve Fund Balance	\$ 1,084	\$ 556

**NOTE 3 DETAIL NOTES - ASSETS**

**CASH AND CASH EQUIVALENTS**

At December 31, 2016 the carrying amount and bank balance of the Authority's time and demand deposits were \$1,777,934 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, 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, 2016 the Authority had \$1,024,141 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.

**ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2016 and 2015 consists of the following:

	2016	2015
Customer Accounts Receivable:		
Sewer	\$ 119,970	\$ 158,311
Water	122,701	137,492
Septage Hauler Receivables	48,216	40,974
	290,887	336,777
Less: Allowance for Doubtful Accounts	(55,640)	(65,532)
Accounts Receivable, Net of Allowance for Doubtful Accounts	\$ 235,247	\$ 271,245

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)**

**CAPITAL ASSETS**

Capital Asset activity for the year ended December 31, 2016 was as follows:

	Balance Jan. 1, 2016	Additions	Reductions	Balance Dec. 31, 2016
Non-Depreciable Capital Assets:				
Land	\$ 489,752	\$	\$	\$ 489,752
Construction in Progress	14,588	135,710	113,610	36,688
Total Non-Depreciable Capital Assets	<u>504,340</u>	<u>135,710</u>	<u>113,610</u>	<u>526,440</u>
Depreciable Capital Assets:				
Treatment Plant and Facilities	9,856,878			9,856,878
Pumping Stations, Interceptors and Improvements	2,646,004			2,646,004
Machinery and Equipment	2,737,976	188,367	161,759	2,764,584
Water Distribution System	5,434,661	113,610		5,548,271
Total Depreciable Capital Assets	<u>20,675,519</u>	<u>301,977</u>	<u>161,759</u>	<u>20,815,737</u>
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	3,665,071	230,229		3,895,300
Pumping Stations, Interceptors and Improvements	1,534,463	56,314		1,590,777
Machinery and Equipment	2,450,943	49,504	161,759	2,338,688
Water Distribution System	2,774,950	106,494		2,881,444
Total Accumulated Depreciation	<u>10,425,427</u>	<u>442,541</u>	<u>161,759</u>	<u>10,706,209</u>
Depreciable Capital Assets, Net	<u>10,250,092</u>	<u>(140,564)</u>	<u>-</u>	<u>10,109,528</u>
Total Capital Assets, Net	<u>\$ 10,754,432</u>	<u>\$ (4,854)</u>	<u>\$ 113,610</u>	<u>\$ 10,635,968</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was charged to:

	<u>2016</u>	<u>2015</u>
Sewer Operations	\$ 324,910	\$ 321,463
Water Operations	<u>117,631</u>	<u>122,924</u>
	<u>\$ 442,541</u>	<u>\$ 444,387</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 4 DETAIL NOTES – LIABILITIES**

**LONG-TERM DEBT**

Bonds Payable

At December 31, 2016, 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, 2016 and 2015 is \$3,343,931 and \$3,404,079, 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, 2016 and 2015 is \$970,000 and \$1,235,000, 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, 2016 and 2015 is estimated at \$64,242 and \$74,795 respectively.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**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, 2016:

	Balance Jan. 1, 2016	Additions	Reductions	Balance Dec. 31, 2016	Amounts Due Within One Year
Bonds Payable:					
Series 2013 Revenue Bonds (USDA)	\$ 3,404,079	\$	\$ 60,148	\$ 3,343,931	\$ 61,432
Series 2014 Revenue Bonds	1,235,000		265,000	970,000	275,000
<b>Total Bonds Payable</b>	<b>4,639,079</b>	<b>-</b>	<b>325,148</b>	<b>4,313,931</b>	<b>336,432</b>
Other Liabilities:					
Accrued Compensated Absences	74,795	1,447	12,000	64,242	
Accrued Liability Pension	32,094	36,432	32,094	36,432	
Net Pension Liability	1,675,952	753,199		2,429,151	
<b>Total Other Liabilities</b>	<b>1,782,841</b>	<b>791,078</b>	<b>44,094</b>	<b>2,529,825</b>	<b>-</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 6,421,920</b>	<b>\$ 791,078</b>	<b>\$ 369,242</b>	<b>\$ 6,843,756</b>	<b>\$ 336,432</b>

The annual debt service requirements to maturity, including principal and interest, for revenue bonds payable as of December 31, 2016 are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 336,432	\$ 89,610	\$ 426,042
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
2022-2026	356,303	304,527	660,830
2027-2031	396,023	264,807	660,830
2032-2036	440,170	220,660	660,830
2037-2041	489,239	171,591	660,830
2042-2046	543,778	117,052	660,830
2047-2051	604,396	56,434	660,830
2052-2053	193,455	3,442	196,897
<b>Total</b>	<b>\$ 4,313,931</b>	<b>\$ 1,517,112</b>	<b>\$ 5,831,043</b>



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**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, 2016 AND 2015**

**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 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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. Employee contributions were \$39,326, \$37,700 and \$35,877 for the years ended December 31, 2015, 2014, and 2013, respectively. The payroll subject to pension for the Authority's employees covered by PERS was \$562,615, \$527,578 and \$534,684 for the years ended December 31, 2015, 2014 and 2013, 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 \$72,864, \$64,187 and \$63,738 for the years ended December 31, 2016, 2015, and 2014, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2016, 2015 and 2014 was 13.16%, 11.41% and 12.08%, respectively.

At December 31, 2016, the Authority reported a liability of \$2,429,151 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)**

**PENSIONS (CONTINUED)**

At December 31, 2016 and 2015, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>2016</u>		<u>2015</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	\$ 45,175	\$ -	\$ 39,982	\$ -
Changes of Assumptions	503,190	-	179,984	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	92,626	-	-	26,946
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	144,734	33,256	32,017	42,196
Authority Contributions Subsequent to the Measurement Date	36,432	-	32,094	-
	<u>\$ 822,157</u>	<u>\$ 33,256</u>	<u>\$ 284,077</u>	<u>\$ 69,142</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**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, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	-	5.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Deferred outflows of resources related to pensions in the amount of \$36,432 will be included as a reduction of the net pension liability in the year ended December 31, 2016. 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 Dec 31,

2017	\$ 136,308
2018	136,308
2019	136,308
2020	136,308
2021	136,309
2022	<u>70,928</u>
	<u>\$ 752,469</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)**

**PENSIONS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 and 2015 measurement dates were determined by actuarial valuations as of July 1, 2015 and 2014, respectively, which were rolled forward to June 30, 2016 and 2015, respectively.

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

	June 30, 2016	June 30, 2015
Inflation	3.08%	3.04%
Salary Increases:		
2012-2021	1.65% - 4.15% Based on Age	2.15% - 4.40% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.15% - 5.40% Based on Age
Investment Rate of Return	7.65%	7.90%
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, 2008 - June 30, 2011

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on plan investments of 7.65% and 7.90 at June 30, 2016 and 2015, respectively 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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)**

**PENSIONS (CONTINUED)**

**Actuarial Assumptions (Continued)**

Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<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>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds / Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex U.S.	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)**

**PENSIONS (CONTINUED)**

**Discount Rate (Continued)**

Therefore, the long-term expected rate of return of plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the 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, 2016 and 2015, 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, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 2,976,641</u>	<u>\$ 2,429,151</u>	<u>\$ 1,977,150</u>
	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 2,083,004</u>	<u>\$ 1,675,952</u>	<u>\$ 1,334,683</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.

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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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/pdf/financial/gasb-43-july2015.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, 2016, 2015, and 2014, were \$54,216, \$49,319, and \$44,228, respectively, which equaled the required contributions for each year. There were 5 retired participants eligible at December 31, 2016, 2015 and 2014.



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015 for the following purposes:

Renewal and Replacement – As of December 31, 2016 and 2015, the Authority has designated \$780,428 and \$508,843, respectively for sewer capital improvements. As of December 31, 2016 and 2015, the Authority has designated \$93,859 and \$39,521, respectively for water capital improvements.

Subsequent Year's Budget – As of December 31, 2016 and 2015, the Authority has designated \$386,475 and 330,475, respectively for the subsequent year's Sewer operating budgets. As of December 31, 2016 and 2015, the Authority has designated \$325,240 and \$200,240, respectively for the subsequent year's Water operating budgets.

The unrestricted net position as of December 31, 2016 and 2015 is comprised of the following:

	2016		2015	
	Sewer	Water	Sewer	Water
Total Unrestricted Net Position (Deficit) - (GAAP)	\$ 778,834	\$ (47,953)	\$ 504,929	\$ 133,635
Cumulative Effect of the Pension Liability and Related Items (GASB 68 and 71)	966,624	782,922	860,470	696,828
Total Unrestricted Net Position (Budgetary Basis)	1,745,458	734,969	1,365,399	830,463
Less:				
Designated for Renewal and Replacement	780,428	93,859	508,843	39,521
Designated for Operating Budget	386,475	325,240	330,475	200,240
Total Unrestricted and Undesignated (Budgetary Basis)	\$ 578,555	\$ 315,870	\$ 526,081	\$ 590,702

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**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, 2016, 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

**NOTE 8 RECLASSIFICATION**

Reclassifications have been made to certain prior year financial statement information to conform to the current year presentation. These reclassifications have no effect on the prior year total net position or change in net position.

**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 FOUR YEARS**

**Schedule of Proportionate Share of Net Pension Liability**

	Measurement Date Ended June 30,			
	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.0082018428%	0.0074659329%	0.0077315763%	0.0074885905%
Authority's Proportionate Share of the Net Pension Liability	\$ 2,429,151	\$ 1,675,952	\$ 1,447,563	\$ 1,431,218
Authority's Covered-Employee Payroll	\$ 562,176	\$ 515,000	\$ 534,684	\$ 516,568
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	432.10%	325.43%	270.73%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

**Schedule of the Authority Contributions**

	Year Ended December 31,			
	2016	2015	2014	2013
Contractually Required Contribution	\$ 72,864	\$ 64,187	\$ 63,738	\$ 56,425
Contributions in Relation to the Contractually Required Contribution	(72,864)	(64,187)	(63,738)	(56,425)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 553,785	\$ 562,615	\$ 527,578	\$ 534,684
Contributions as a Percentage of Authority's Covered-Employee Payroll	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, 2014 and 2013 actuarial valuation.
- Changes in Assumptions* - The discount rate changed from 5.55% as of June 30, 2013, to 5.39% as of June 30, 2014, and to 4.90% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.
- 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.

## **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, 2016  
WITH COMPARATIVE TOTALS FOR 2015**

	SEWER OPERATION				WATER OPERATION				TOTAL	
	NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED		NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED		2016 (MEMO)	2015 (MEMO)
			UNDESIGNATED	DESIGNATED			UNDESIGNATED	DESIGNATED		
<b>OPERATING REVENUE:</b>										
User Charges	\$	\$	\$ 1,268,562	\$	\$	\$	\$ 729,547	\$	\$1,998,109	\$ 2,025,975
Interest on Delinquent Accounts			29,791				13,537		43,328	45,066
Septage Fees			406,995				-		406,995	341,663
Connection Fees			126,920				8,052		134,972	12,152
Miscellaneous Income			21				35,717		35,738	14,556
	-	-	1,832,289	-	-	-	786,853	-	2,619,142	2,439,412
<b>OPERATING EXPENSES:</b>										
Cost of Providing Services			900,249				546,783		1,447,032	1,280,452
Administrative and General			250,928				246,117		497,045	446,895
Depreciation	324,910		-		117,631		-		442,541	444,387
	324,910	-	1,151,177	-	117,631	-	792,900	-	2,386,618	2,171,734
<b>OPERATING INCOME (LOSS)</b>	(324,910)	-	681,112	-	(117,631)	-	(6,047)	-	232,524	267,678
<b>NON-OPERATING REVENUE (EXPENSES):</b>										
Interest Income			3,254				3,576		6,830	4,211
Miscellaneous Income	12,136		-		12,136		25,392		49,664	25,392
Interest Expense	(648)		(89,003)		(252)		(6,605)		(96,508)	(102,159)
	11,488	-	(85,749)	-	11,884	-	22,363	-	(40,014)	(72,556)
<b>INCOME BEFORE TRANSFERS</b>	(313,422)	-	595,363	-	(105,747)	-	16,316	-	192,510	195,122
<b>TRANSFERS</b>	321,458		(649,043)	327,585	197,904		(377,242)	179,338	-	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	8,036	-	(53,680)	327,585	92,157	-	(360,926)	179,338	192,510	195,122
<b>NET POSITION - JANUARY 1,</b>	3,691,244	108,000	(334,389)	839,318	2,424,111	42,000	(106,126)	239,761	6,903,919	6,708,797
<b>NET POSITION - DECEMBER 31,</b>	\$ 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
<b>UNRESTRICTED NET POSITION (DEFICIT)- UNDESIGNATED-</b>										
Cumulative Effect of the Pension Liability (GASB 68 and 71)			\$ (966,624)				\$ (782,922)			
Before GASB 68 and 71 Pension Related Items			578,555				315,870			
			\$ (388,069)				\$ (467,052)			

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE SCHEDULES OF NET POSITION  
DECEMBER 31, 2016 AND 2015**

	2016			2015		
	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>
<b>ASSETS:</b>						
<b>CURRENT ASSETS - UNRESTRICTED:</b>						
Cash	\$ 704,105	\$ 419,476	\$ 1,123,581	\$ 351,758	\$ 624,385	\$ 976,143
Accounts Receivable, Net of Allowance for Doubtful Accounts	136,195	99,052	235,247	161,252	109,993	271,245
Inventory	33,728	18,256	51,984	31,780	21,186	52,966
Due from Vendor	6,709	3,632	10,341	6,021	4,014	10,035
Prepaid Expenses	2,179	1,179	3,358	13,916		13,916
<b>Total Current Assets - Unrestricted</b>	<u>882,916</u>	<u>541,595</u>	<u>1,424,511</u>	<u>564,727</u>	<u>759,578</u>	<u>1,324,305</u>
<b>CURRENT ASSETS - RESTRICTED:</b>						
Accounts Required by the General Bond Resolution:						
Cash	108,780	42,304	151,084	108,400	42,156	150,556
Other:						
Cash	1,135,589	391,821	1,527,410	1,063,773	235,453	1,299,226
<b>Total Current Assets - Restricted</b>	<u>1,244,369</u>	<u>434,125</u>	<u>1,678,494</u>	<u>1,172,173</u>	<u>277,609</u>	<u>1,449,782</u>
<b>NONCURRENT ASSETS:</b>						
Capital Assets, Net of Accumulated Depreciation	<u>7,763,028</u>	<u>2,872,940</u>	<u>10,635,968</u>	<u>7,984,522</u>	<u>2,769,910</u>	<u>10,754,432</u>
<b>Total Noncurrent Assets</b>	<u>7,763,028</u>	<u>2,872,940</u>	<u>10,635,968</u>	<u>7,984,522</u>	<u>2,769,910</u>	<u>10,754,432</u>
<b>TOTAL ASSETS</b>	<u>9,890,313</u>	<u>3,848,660</u>	<u>13,738,973</u>	<u>9,721,422</u>	<u>3,807,097</u>	<u>13,528,519</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Deferred Loss on Defeasance of Debt	894	348	1,242	1,542	600	2,142
Deferred Amount Relating to Pensions	454,242	367,915	822,157	156,953	127,124	284,077
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>455,136</u>	<u>368,263</u>	<u>823,399</u>	<u>158,495</u>	<u>127,724</u>	<u>286,219</u>

(Continued)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE SCHEDULES OF NET POSITION  
DECEMBER 31, 2016 AND 2015**

	2016			2015		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
<b>LIABILITIES:</b>						
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>						
Accounts Payable - Operations	\$ 21,775	\$ 31,616	\$ 53,391	\$ 23,539	\$ 1,647	\$ 25,186
Accrued Liabilities	50,785	38,304	89,089	49,672	30,560	80,232
<b>Total Current Liabilities Payable From Unrestricted Assets</b>	<b>72,560</b>	<b>69,920</b>	<b>142,480</b>	<b>73,211</b>	<b>32,207</b>	<b>105,418</b>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>						
Contracts Payable	22,100	85,631	107,731			-
Revenue Bonds Payable - Current Portion	259,432	77,000	336,432	250,947	74,200	325,147
Accrued Interest Payable - Bonds and Notes	1,170	455	1,625	1,490	580	2,070
Developer Escrow Liability	3,015	1,632	4,647	2,262		2,262
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>285,717</b>	<b>164,718</b>	<b>450,435</b>	<b>254,699</b>	<b>74,780</b>	<b>329,479</b>
<b>LONG-TERM LIABILITIES:</b>						
Accrued Liability Pension - Non-Current Portion	20,129	16,303	36,432	17,732	14,362	32,094
Revenue Bonds Payable - Non-Current Portion	3,782,899	194,600	3,977,499	4,042,332	271,600	4,313,932
Accrued Compensated Absences	41,681	22,561	64,242	44,531	30,264	74,795
Net Pension Liability	1,342,106	1,087,045	2,429,151	925,963	749,989	1,675,952
<b>Total Long-Term Liabilities</b>	<b>5,186,815</b>	<b>1,320,509</b>	<b>6,507,324</b>	<b>5,030,558</b>	<b>1,066,215</b>	<b>6,096,773</b>
<b>TOTAL LIABILITIES</b>	<b>5,545,092</b>	<b>1,555,147</b>	<b>7,100,239</b>	<b>5,358,468</b>	<b>1,173,202</b>	<b>6,531,670</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred Revenue	1,849	105,651	107,500	1,635	105,560	107,195
Deferred Amount Relating to Pensions	18,374	14,882	33,256	38,201	30,941	69,142
Deferred Connection Fees	194,020	30,928	224,948	177,440	25,372	202,812
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>214,243</b>	<b>151,461</b>	<b>365,704</b>	<b>217,276</b>	<b>161,873</b>	<b>379,149</b>
<b>NET POSITION:</b>						
Net Investment in Capital Assets	3,699,280	2,516,268	6,215,548	3,691,244	2,424,111	6,115,355
Restricted:						
Bond Reserve Fund	108,000	42,000	150,000	108,000	42,000	150,000
Unrestricted (Deficit)	778,834	(47,953)	730,881	504,929	133,635	638,564
<b>TOTAL NET POSITION</b>	<b>\$ 4,586,114</b>	<b>\$ 2,510,315</b>	<b>\$ 7,096,429</b>	<b>\$ 4,304,173</b>	<b>\$ 2,599,746</b>	<b>\$ 6,903,919</b>



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>			<u>2015</u>		
	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>
<b>OPERATING REVENUE:</b>						
User Charges and Fees	\$ 1,268,562	\$ 729,547	\$ 1,998,109	\$ 1,269,746	\$ 756,229	\$ 2,025,975
Interest on Delinquent Accounts	29,791	13,537	43,328	30,133	14,933	45,066
Septage Fees	406,995		406,995	341,663		341,663
Connection Fees	126,920	8,052	134,972	8,750	3,402	12,152
Miscellaneous Income	21	35,717	35,738	702	13,854	14,556
<b>Total Operating Revenue</b>	<u>1,832,289</u>	<u>786,853</u>	<u>2,619,142</u>	<u>1,650,994</u>	<u>788,418</u>	<u>2,439,412</u>
<b>OPERATING EXPENSES:</b>						
Cost of Providing Services	900,249	546,783	1,447,032	809,739	470,713	1,280,452
Administrative and General	250,928	246,117	497,045	230,916	215,979	446,895
Depreciation	324,910	117,631	442,541	321,463	122,924	444,387
<b>Total Operating Expenses</b>	<u>1,476,087</u>	<u>910,531</u>	<u>2,386,618</u>	<u>1,362,118</u>	<u>809,616</u>	<u>2,171,734</u>
<b>OPERATING INCOME (LOSS)</b>	<u>356,202</u>	<u>(123,678)</u>	<u>232,524</u>	<u>288,876</u>	<u>(21,198)</u>	<u>267,678</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>						
Interest Income	3,254	3,576	6,830	3,097	1,114	4,211
Miscellaneous Income	12,136	37,528	49,664		25,392	25,392
Interest Expense	(89,651)	(6,857)	(96,508)	(94,072)	(8,087)	(102,159)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(74,261)</u>	<u>34,247</u>	<u>(40,014)</u>	<u>(90,975)</u>	<u>18,419</u>	<u>(72,556)</u>
<b>CHANGE IN NET POSITION</b>	281,941	(89,431)	192,510	197,901	(2,779)	195,122
<b>NET POSITION - BEGINNING</b>	<u>4,304,173</u>	<u>2,599,746</u>	<u>6,903,919</u>	<u>4,106,272</u>	<u>2,602,525</u>	<u>6,708,797</u>
<b>NET POSITION- DECEMBER 31,</b>	<u>\$ 4,586,114</u>	<u>\$ 2,510,315</u>	<u>\$ 7,096,429</u>	<u>\$ 4,304,173</u>	<u>\$ 2,599,746</u>	<u>\$ 6,903,919</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND COSTS FUNDED BY**  
**REVENUES COMPARED TO BUDGET - BUDGETARY BASIS**  
**YEAR ENDED DECEMBER 31, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015**

	SEWER OPERATIONS			WATER OPERATIONS		
	2016 BUDGET	2016 ACTUAL	2015 ACTUAL	2016 BUDGET	2016 ACTUAL	2015 ACTUAL
<b>REVENUE:</b>						
User Charges and Fees	\$ 1,267,665	\$ 1,268,562	\$ 1,269,746	\$ 726,334	\$ 729,547	\$ 756,229
Interest on Delinquent Accounts	25,000	29,791	30,133	12,000	13,537	14,933
Connection Fees	17,500	126,920	8,750	3,780	8,052	3,402
Septage Fees	235,000	406,995	341,663			
Miscellaneous Operating Income	1,000	21	702	2,000	35,717	13,854
Miscellaneous Non-Operating Income		12,136		25,000	37,528	25,392
Interest on Investments	2,500	3,254	3,097	1,000	3,576	1,114
<b>Total Revenue</b>	<b>1,548,665</b>	<b>1,847,679</b>	<b>1,654,091</b>	<b>770,114</b>	<b>827,957</b>	<b>814,924</b>
<b>EXPENSES:</b>						
Costs of Providing Services:						
Salaries and Wages	292,220	286,225	288,704	223,180	215,841	222,856
Employee Benefits	154,708	134,724	124,720	114,044	96,169	90,281
Automotive Expenses	15,000	6,528	14,061	10,000	9,286	3,687
Office Supplies - Plant	3,000	1,453	1,067	2,000	548	252
Operating Supplies	124,000	119,397	98,878	47,500	67,642	45,034
Utilities	185,000	175,567	188,929	85,760	75,181	77,213
Repairs and Maintenance	80,000	77,922	56,232	20,000	14,062	7,201
Laboratory Supplies	10,000	5,913	7,472	4,000	3,624	2,942
Laboratory Testing	30,000	7,546	9,504	5,000	3,276	4,282
General Expense				1,000	60	-
Public Water Tax				2,000	2,160	1,993
	<b>893,928</b>	<b>815,275</b>	<b>789,567</b>	<b>514,484</b>	<b>487,849</b>	<b>455,741</b>
Administrative and General Expenses:						
Salaries and Wages	64,928	64,327	64,560	64,928	63,994	64,560
Employee Benefits	35,513	58,414	50,617	35,513	58,389	50,617
Office Supplies and Expenses	8,500	7,445	6,749	8,500	7,444	6,749
Computer Expense	10,000	5,419	5,659	10,000	9,621	10,159
Professional Services	81,000	41,154	46,917	56,000	50,976	42,308
Insurance	22,000	15,571	14,713	22,000	15,572	14,713
Postage/Billing	6,000	4,204	3,281	6,000	4,536	3,610
Telephone	6,000	5,293	4,294	6,000	5,293	4,293
Education	5,000	3,858	2,567	5,000	3,140	5,237
Legal Advertising	1,000	1,074	1,129	1,000	921	962
Licenses, Fees, Permits and Assessments	30,000	22,926	25,764	10,000	9,025	8,105
	<b>269,941</b>	<b>229,685</b>	<b>226,250</b>	<b>224,941</b>	<b>228,911</b>	<b>211,313</b>
Interest Expense	89,323	89,003	93,419	6,729	6,605	7,833

(Continued)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND COSTS FUNDED BY**  
**REVENUES COMPARED TO BUDGET - BUDGETARY BASIS**  
**YEAR ENDED DECEMBER 31, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015**

	SEWER OPERATIONS			WATER OPERATIONS		
	2016 BUDGET	2016 ACTUAL	2015 ACTUAL	2016 BUDGET	2016 ACTUAL	2015 ACTUAL
<b>OTHER COSTS FUNDED BY REVENUES:</b>						
Principal Maturities	\$ 250,948	\$ 250,948	\$ 249,689	\$ 74,200	\$ 74,200	\$ 74,200
Renewal and Replacement Reserves	375,000	375,000	165,000	275,000	275,000	90,000
Appropriation to Borough of Buena Municipality	56,000					
	<u>681,948</u>	<u>625,948</u>	<u>414,689</u>	<u>349,200</u>	<u>349,200</u>	<u>164,200</u>
<b>TOTAL COSTS FUNDED BY REVENUES</b>	<u>1,935,140</u>	<u>1,759,911</u>	<u>1,523,925</u>	<u>1,095,354</u>	<u>1,072,565</u>	<u>839,087</u>
<b>REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES</b>	<u>\$ (386,475)</u>	87,768	130,166	<u>\$ (325,240)</u>	(244,608)	(24,163)
<b>Reconciliation of Budgetary Basis to Change in Net Position</b>						
Adjustments to Budgetary Basis:						
Principal Maturities		250,948	249,689		74,200	74,200
Other Reserves		375,000	165,000		275,000	90,000
Depreciation		(324,910)	(321,463)		(117,631)	(122,924)
Change in Allowance for Doubtful Accounts					9,891	
Amortization Charged to Interest Expense		(648)	(653)		(252)	(254)
Pension Expense - Difference Between GAAP vs. Budgetary:						
Administrative and General Expenses		(21,243)			(17,206)	
Cost of Providing Services		<u>(84,974)</u>	<u>(24,838)</u>		<u>(68,825)</u>	<u>(19,638)</u>
<b>CHANGE IN NET POSITION PER SCHEDULE 3</b>		<u>\$ 281,941</u>	<u>\$ 197,901</u>		<u>\$ (89,431)</u>	<u>\$ (2,779)</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, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES (BUDGETARY BASIS):</b>		
Sewer Operations	\$ 87,768	\$ 130,166
Water Operations	<u>(244,608)</u>	<u>(24,163)</u>
	(156,840)	106,003
Increased By:		
Principal Maturities	325,148	323,889
Other Reserves	650,000	255,000
Change in Allowance for Doubtful Accounts	<u>9,891</u>	<u>-</u>
	828,199	684,892
Reduced By:		
Depreciation	(442,541)	(444,387)
Amortization Charged to Interest Expense	(900)	(907)
Pension Expense - Difference Between GAAP vs. Budgetary:		
Administrative and General Expenses	(38,449)	-
Cost of Providing Services	<u>(153,799)</u>	<u>(44,476)</u>
<b>CHANGE IN NET POSITION PER EXHIBIT B</b>	<u><u>\$ 192,510</u></u>	<u><u>\$ 195,122</u></u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2013  
DECEMBER 31, 2016**

<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>2016</u>	<u>2016</u>	<u>DECEMBER 31,</u>
					<u>2016</u>			<u>2016</u>
6/28/2013	\$ 3,549,000	2.125%	2017	\$ 61,432	\$ 3,404,079	\$ -	\$ 60,148	\$ 3,343,931
			2018	62,744				
			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>\$ 3,404,079</u>	<u>\$ -</u>	<u>\$ 60,148</u>	<u>\$ 3,343,931</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
 SCHEDULE OF REVENUE REFUNDING BONDS PAYABLE - SERIES 2014  
 DECEMBER 31, 2016**

<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>2016</u>	<u>MATURITIES</u>	<u>DECEMBER 31,</u>
					<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
10/31/2014	\$ 1,500,000	1.946%	12/1/2017	\$ 275,000	\$ 1,235,000	\$ -	\$ 265,000	\$ 970,000
			12/1/2018	390,000				
			12/1/2019	305,000				
					<u>\$ 1,235,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 970,000</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
Sharon Woshnak	Member (To 10/07/16)
Jeffrey Johnson	Member (From 11/28/16)
Jorge Alvarez	Alternate #1 (To 10/24/16)
Johnathan Alvarez	Alternate #1 (From 11/28/16)
Michael Feaster	Alternate #2 (To 01/07/16)

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, 2016**

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, 2016**

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.**