

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**

**AUDIT REPORT**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**



*Borough of Buena  
Municipal Utilities Authority*



**Romano, Hearing, Testa & Knorr**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**BOROUGH OF BUENA**  
**MUNICIPAL UTILITIES AUTHORITY**  
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**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**

**AUDIT REPORT**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

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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, a component unit of the Borough of Buena, Atlantic County, New Jersey, as of and for the years ended December 31, 2012 and 2011, 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 Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Buena Municipal Utilities Authority, as of December 31, 2012 and 2011, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 2P to the financial statements, in 2012, the Authority adopted new accounting guidance contained in GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, accompanying supplementary schedules as listed in the table of contents and the Schedule of Expenditures of Federal Awards 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 August 14, 2013, 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 style.

Certified Public Accountants

August 14, 2013

**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, the financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, Atlantic County, New Jersey, as of and for the year ended December 31, 2012, 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 August 14, 2013.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Buena Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.



**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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

ROMANO, HEARING, TESTA & KNORR

Certified Public Accountants

August 14, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Borough of Buena Municipal Utilities Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Borough of Buena Municipal Utilities Authority's major federal programs for the year ended December 31, 2012. The Borough of Buena Municipal Utilities Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Borough of Buena Municipal Utilities Authority's, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Buena Municipal Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough of Buena Municipal Utilities Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Borough of Buena Municipal Utilities Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

Management of the Borough of Buena Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Buena Municipal Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

August 14, 2013

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

## 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, 2012. 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 finally, supplementary information.

### 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?"

### 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 difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority’s net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

## SEWER OPERATION

### FINANCIAL HIGHLIGHTS OPERATIONS

- The Net Capital Assets of the Authority’s Sewer Operation total \$7.94 million, which is a \$3.39 million or 74% increase from 2011.
- The Total Assets of the Authority’s Sewer Operation are \$9.86 million, which is a \$.028 million or .28% increase from 2011.
- During the year, the operating revenues of the Authority’s Sewer Operation were \$1.49 million which is a \$.263 million or 21.54% increase from 2011 and its operating expenses increased by \$.009 million to \$1.21 million compared to 2011.

The total net position of the Authority’s Sewer Operation increased from last year by \$.336 million. The analysis below focuses on the Sewer Operation’s net position (Table 1A) and changes in net position (Table 2A) during the year.

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

	2012	2011 <i>Restated</i>	2012-2011 Increase(Decrease)	
			\$	%
Current Assets	\$ 507	\$ 468	\$ 39	8.33%
Noncurrent Assets	9,350	9,361	(11)	(0.12%)
Total Assets	<u>9,857</u>	<u>9,829</u>	<u>28</u>	0.28%
Deferred Outflows Of Resources	<u>37</u>	<u>55</u>	<u>(18)</u>	(32.73%)
Current Liabilities	191	344	(153)	(44.48%)
Current Liabilities Payable				
From Restricted Assets	4,290	4,199	91	2.17%
Long-Term Liabilities	<u>1,713</u>	<u>1,977</u>	<u>(264)</u>	(13.35%)
Total Liabilities	<u>6,194</u>	<u>6,520</u>	<u>(326)</u>	(5.00%)
Net Investment in				
Capital Assets	2,691	2,634	57	2.16%
Restricted Net Position	385	306	79	25.82%
Unrestricted Net Position	624	424	200	47.17%
Total Net Position	<u>\$ 3,700</u>	<u>\$ 3,364</u>	<u>\$ 336</u>	9.99%

The increase in current assets is primarily the net result of increases in cash, accounts receivable, grant receivable, and inventory and decreases in prepaid expenses and due from restricted.

The decrease in noncurrent assets is due to the net result of decreases in restricted cash and interest receivable and the increase in net capital assets.

The decrease in current liabilities payable from unrestricted assets is the net result of the decreases in interfund payable and unearned revenue and the increase in accounts payable. The increase in current liabilities payable from restricted assets is the net result of increases in retainage payable and project notes payable and the decreases in accounts payable-restricted, contracts payable, due to unrestricted and the current portion of revenue bonds payable.

The decrease in long-term liabilities is primarily due to the decrease of principal maturities of revenue bonds payable and New Jersey Environmental Infrastructure Trust Loans payable.

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)**

	2012	2011 <i>Restated</i>	2012-2011 Increase(Decrease)	
			\$	%
Operating Revenue				
User Charges & Fees	\$ 1,253	\$ 968	\$ 285	29.44%
Septage Fees	210	235	(25)	(10.64%)
Other Operating	25	21	4	19.05%
Nonoperating Revenue	43	59	(16)	(27.12%)
Total Revenue	<u>1,531</u>	<u>1,283</u>	<u>248</u>	<u>19.33%</u>
Operating Expenses				
Cost of Providing Services	768	727	41	5.64%
Administrative and General	187	210	(23)	(10.95%)
Depreciation	254	265	(11)	(4.15%)
Non Operating Expense				
Int, Amort & Project Abandoned	98	706	(608)	(86.12%)
Total Expenses	<u>1,307</u>	<u>1,908</u>	<u>(601)</u>	<u>(31.50%)</u>
Capital Contributions	<u>112</u>		<u>112</u>	
Change in Net Position	336	(625)	961	(153.76%)
Beginning Net Position	<u>3,364</u>	<u>3,989</u>	<u>(625)</u>	<u>(15.67%)</u>
Ending Net Position	<u>\$ 3,700</u>	<u>\$ 3,364</u>	<u>\$ 336</u>	<u>9.99%</u>



## REVENUES AND EXPENSES

The total revenues of the Authority's Sewer Operation are approximately \$1.53 million for the year ended December 31, 2012. User Charges and Fees were \$1.28 million, accounting for 83% of total revenue. Septage Fees were \$.210 million, accounting for 14% of total revenue. Operating expenses include cost of providing services, which totaled \$.768 million, an increase of \$.042 million from the prior year, and administrative and general expenses of \$.187 million, a \$.023 million decrease compared to last year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of December 2012, the Authority's Sewer Operation had \$7.94 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.254 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, 2012.

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

	2012	2011	2012-2011	
			Increase(Decrease) \$	%
Land	\$ 486	\$ 404	\$ 82	20.30%
Treatment Plant and Facilities	2,153	2,256	(103)	(4.57%)
Pumping Stations and Interceptors and Improvements	1,280	1,337	(57)	(4.26%)
Machinery and Equipment	201	263	(62)	(23.57%)
Construction in Progress	3,822	292	3,530	1208.90%
<b>Total</b>	<b>\$ 7,942</b>	<b>\$ 4,552</b>	<b>\$ 3,390</b>	<b>74.47%</b>

This year's additions/reductions (in thousands) include:

Land	\$ 82
Treatment Plant and Facilities	32
Construction in Progress (net)	3,531

The Authority's FY 2013 capital budget plans for investing another \$1.85 million in capital projects, including the following (in thousands):

Upgrade and Expansion	\$	1,514
Plant Operating/Office Equipment		25
Lines and Laterals		315
Total	\$	<u>1,854</u>

The Authority plans on funding those capital projects using a combination of existing cash, including reserves, year 2013 revenue, and cost reimbursement from grant and/or loan funds.

### **Debt Administration**

At December 31, 2012, the Authority's Sewer Operation had several outstanding bond issues and notes payable in the amount of \$5,650,853 that mature in various amounts through the year 2019 with interest rates ranging from 0% to 5.0%. The Authority also has accrued compensated absences in the amount of \$35,800. More detailed information about long-term liabilities can be found in Note 8 to the financial statements.

### **NEXT YEAR'S BUDGETS AND RATES**

The budget for the year 2013 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 OPERATIONS**

- The Net Capital Assets of the Authority's Water Operation total \$3.047 million, which is a (\$.127) million or 4.00% decrease from 2011.
- The Total Assets of the Authority's Water Operation decreased .74% from the prior year to \$3.98 million.
- During the year, the operating revenues of the Authority's Water Operation were \$.761 million which is a \$.011 million or 1.44% increase from 2011 and operating expenses were \$.751 million, which is a 2.13% decrease from 2011.

The total net position of the Authority's Water Operation increased from last year by \$.042 million. The analysis below focuses on the Water Operation's net position (Table 1B) and changes in net position (Table 2B) during the year.

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

	<u>2012</u>	<u>2011</u> <i>Restated</i>	<u>2012-2011</u> <u>Increase(Decrease)</u>	
			<u>\$</u>	<u>%</u>
Current Assets	\$ 507	\$ 384	\$ 123	32.03%
Noncurrent Assets	<u>3,475</u>	<u>3,628</u>	<u>(153)</u>	(4.22%)
Total Assets	<u>3,982</u>	<u>4,012</u>	<u>(30)</u>	(0.75%)
Deferred Outflows Of Resources	<u>14</u>	<u>21</u>	<u>(7)</u>	(33.33%)
Current Liabilities	160	147	13	8.84%
Current Liabilities Payable				
From Restricted Assets	70	89	(19)	(21.35%)
Long-Term Liabilities	<u>534</u>	<u>606</u>	<u>(72)</u>	(11.88%)
Total Liabilities	<u>764</u>	<u>842</u>	<u>(78)</u>	(9.26%)
Net Investment in				
Capital Assets	2,675	2,715	(40)	(1.47%)
Restricted Net Position	206	194	12	6.19%
Unrestricted Net Position	<u>351</u>	<u>282</u>	<u>69</u>	24.47%
Total Net Position	<u>\$ 3,232</u>	<u>\$ 3,191</u>	<u>\$ 41</u>	1.28%

Total current assets increased due to the increases in cash and inventory and the decreases in accounts receivable and interfund receivable.

The decrease in noncurrent assets is due to decreases in cash, interest receivable and net capital assets.

The increase in current liabilities payable from unrestricted assets is the net result of the increase in accounts payable together with the decreases in accrued liabilities and unearned revenue. The decrease in current liabilities payable from restricted assets is the result of the decrease in the current portion of revenue bonds payable and interest payable on revenue bonds and notes.

The decrease in long-term liabilities is the result the decrease of principal maturities of revenue bonds payable and accrued compensated absences.

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

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

	2012	2011 <i>Restated</i>	2012-2011 Increase(Decrease)	
			\$	%
Operating Revenue				
User Charges & Fees	\$ 732	\$ 729	\$ 3	0.41%
Other Operating	29	21	8	38.10%
Nonoperating Revenue	64	47	17	36.17%
Total Revenue	<u>825</u>	<u>797</u>	<u>28</u>	<u>3.51%</u>
Operating Expenses				
Cost of Providing Services	462	445	17	3.82%
Administrative and General	159	190	(31)	(16.32%)
Depreciation	130	132	(2)	(1.52%)
Non Operating Expense				
Interest and Amortization	33	40	(7)	(17.50%)
Total Expenses	<u>784</u>	<u>807</u>	<u>(23)</u>	<u>(2.85%)</u>
Change in Net Position	41	(10)	51	510.00%
Beginning Net Position	3,191	3,201	(10)	(0.31%)
Ending Net Position	<u>\$ 3,232</u>	<u>\$ 3,191</u>	<u>\$ 41</u>	<u>1.28%</u>

## REVENUES AND EXPENSES

The total revenues of the Authority's Water Operation are approximately \$.83 million for the year ended December 31, 2012. User Charges and Fees were \$.732 million, accounting for 89% of total revenue. Operating expenses include cost of providing services, which totaled \$.462 million, a \$.017 million increase, and administrative and general expenses of \$.159 million, a \$.031 million decrease.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of December 2012, the Authority's Water Operation had \$3.05 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.130 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, 2012.

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

	2012	2011	2012-2011	
			Increase(Decrease)	
			\$	%
Land	\$ 4	\$ 4	\$ -	-
Water Distribution System	3,017	3,139	(122)	(3.89%)
Machinery and Equipment	26	32	(6)	(18.75%)
Total	<u>\$ 3,047</u>	<u>\$ 3,175</u>	<u>\$ (128)</u>	<u>(4.03%)</u>

This year's additions (in thousands) include:

Machinery and Equipment	\$ 3
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The Authority's FY 2013 capital budget plans for investing another \$.04 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 20
Other Budgeted Capital	<u>20</u>
Total	<u>\$ 40</u>

The Authority plans on funding those capital projects using existing cash, including reserves and 2013 revenue.

**Debt Administration**

At December 31, 2012, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$573,680 that matures in various amounts through the year 2019 with interest rates ranging from 3.4% to 4.3%. The Authority also has accrued compensated absences in the amount of \$28,709. More detailed information about long-term liabilities can be found in Note 8 to the financial statements.

**NEXT YEAR'S BUDGETS AND RATES**

The budget for the year 2013 maintains the same rates for user charges and fees and connection fees for new customers.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2012 AND 2011**

	2012			2011 (Restated)		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS - UNRESTRICTED:</b>						
Cash	\$ 216,568	\$ 381,412	\$ 597,980	\$ 142,925	\$ 107,890	\$ 250,815
Accounts Receivable	144,077	103,142	247,219	94,889	104,501	199,390
Interest Receivable			-	1		1
Grant Receivable	111,711		111,711			-
Prepaid Expenses			-	81,534		81,534
Interfund Receivable			-		152,233	152,233
Due from Restricted			-	119,047		119,047
Inventory	34,339	22,893	57,232	29,660	19,773	49,433
<b>Total Current Assets - Unrestricted</b>	<b>506,695</b>	<b>507,447</b>	<b>1,014,142</b>	<b>468,056</b>	<b>384,397</b>	<b>852,453</b>
<b>NONCURRENT ASSETS:</b>						
Restricted:						
Accounts Required by the General Bond Resolution:						
Cash	411,210	225,869	637,079	417,036	251,662	668,698
Investments	518,400	201,600	720,000	518,400	201,600	720,000
Interest Receivable	1,025	399	1,424	1,280	498	1,778
Other:						
Cash	477,519		477,519	3,871,920		3,871,920
<b>Total Restricted Assets</b>	<b>1,408,154</b>	<b>427,868</b>	<b>1,836,022</b>	<b>4,808,636</b>	<b>453,760</b>	<b>5,262,396</b>
Capital Assets, Net	7,942,298	3,047,196	10,989,494	4,551,876	3,174,046	7,725,922
<b>Total Noncurrent Assets</b>	<b>9,350,452</b>	<b>3,475,064</b>	<b>12,825,516</b>	<b>9,360,512</b>	<b>3,627,806</b>	<b>12,988,318</b>
<b>TOTAL ASSETS</b>	<b>9,857,147</b>	<b>3,982,511</b>	<b>13,839,658</b>	<b>9,828,568</b>	<b>4,012,203</b>	<b>13,840,771</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Deferred Loss on Defeasance of Debt	36,612	14,238	50,850	54,780	21,303	76,083
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>36,612</b>	<b>14,238</b>	<b>50,850</b>	<b>54,780</b>	<b>21,303</b>	<b>76,083</b>

(Continued)

See Accompanying Notes to Financial Statements

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2012 AND 2011**

	2012			2011 (Restated)		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>						
Accounts Payable - Operations	\$ 27,318	\$ 13,281	\$ 40,599	\$ 10,213	\$ 102	\$ 10,315
Accrued Liabilities	29,727	14,966	44,693	29,694	15,361	45,055
Interfund Payable			-	152,233		152,233
Unearned Revenue	133,783	131,673	265,456	152,279	132,220	284,499
<b>Total Current Liabilities Payable From Unrestricted Assets</b>	<u>190,828</u>	<u>159,920</u>	<u>350,748</u>	<u>344,419</u>	<u>147,683</u>	<u>492,102</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>						
Accounts Payable - Restricted			-	20,428		20,428
Contracts Payable	105,737		105,737	156,024		156,024
Retainage Payable	168,979		168,979			-
Due to Unrestricted			-	119,047		119,047
Project Note Payable	3,700,000		3,700,000	3,549,000		3,549,000
Revenue Bonds Payable - Current Portion	273,497	68,600	342,097	313,845	86,800	400,645
Accrued Interest Payable - Bonds and Notes	13,825	1,909	15,734	13,874	2,166	16,040
Developer Escrow Liability	27,991		27,991	26,607		26,607
<b>Total Current Liabilities Payable From Restricted Assets</b>	<u>4,290,029</u>	<u>70,509</u>	<u>4,360,538</u>	<u>4,198,825</u>	<u>88,966</u>	<u>4,287,791</u>
<b>LONG-TERM LIABILITIES:</b>						
Revenue Bonds Payable - Non-Current Portion	1,677,356	505,080	2,182,436	1,950,635	573,595	2,524,230
Accrued Compensated Absences	35,800	28,709	64,509	25,968	32,327	58,295
<b>Total Long-Term Liabilities</b>	<u>1,713,156</u>	<u>533,789</u>	<u>2,246,945</u>	<u>1,976,603</u>	<u>605,922</u>	<u>2,582,525</u>
<b>TOTAL LIABILITIES</b>	<u>6,194,013</u>	<u>764,218</u>	<u>6,958,231</u>	<u>6,519,847</u>	<u>842,571</u>	<u>7,362,418</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION:</b>						
Net Investment in Capital Assets	2,690,800	2,675,409	5,366,209	2,633,383	2,715,543	5,348,926
Restricted:						
Current Debt Service	97,210	25,529	122,739	35,592	10,695	46,287
Operations	287,954	180,892	468,846	270,373	182,606	452,979
Unrestricted	623,782	350,701	974,483	424,153	282,091	706,244
<b>TOTAL NET POSITION</b>	<u>\$ 3,699,746</u>	<u>\$ 3,232,531</u>	<u>\$ 6,932,277</u>	<u>\$ 3,363,501</u>	<u>\$ 3,190,935</u>	<u>\$ 6,554,436</u>

See Accompanying Notes to Financial Statements



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012			2011 (Restated)		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
<b>OPERATING REVENUE:</b>						
User Charges and Fees	\$ 1,252,978	\$ 732,161	\$ 1,985,139	\$ 967,918	\$ 729,187	\$ 1,697,105
Interest on Delinquent Accounts	25,291	14,974	40,265	21,191	13,615	34,806
Septage Fees	209,960		209,960	235,335		235,335
Miscellaneous Income		13,845	13,845		7,357	7,357
<b>Total Operating Revenue</b>	1,488,229	760,980	2,249,209	1,224,444	750,159	1,974,603
<b>OPERATING EXPENSES:</b>						
Cost of Providing Services	768,257	462,068	1,230,325	726,662	445,205	1,171,867
Administrative and General	186,982	158,634	345,616	209,657	189,895	399,552
Depreciation	254,283	130,140	384,423	264,604	132,069	396,673
<b>Total Operating Expenses</b>	1,209,522	750,842	1,960,364	1,200,923	767,169	1,968,092
<b>OPERATING INCOME (LOSS)</b>	278,707	10,138	288,845	23,521	(17,010)	6,511
<b>NON-OPERATING REVENUE (EXPENSES):</b>						
Connection Fees	39,136	13,584	52,720	51,000	4,033	55,033
Interest Income	4,450	2,031	6,481	7,577	3,581	11,158
Miscellaneous Income		49,023	49,023		39,387	39,387
Abandonment of Project			-	(563,468)		(563,468)
Interest Expense	(97,759)	(33,180)	(130,939)	(117,956)	(40,120)	(158,076)
Debt Issue Costs Incurred				(25,915)		(25,915)
<b>Total Non-Operating Revenue (Expenses)</b>	(54,173)	31,458	(22,715)	(648,762)	6,881	(641,881)
<b>CHANGE IN NET POSITION, BEFORE CAPITAL CONTRIBUTIONS</b>	224,534	41,596	266,130	(625,241)	(10,129)	(635,370)
<b>CAPITAL CONTRIBUTIONS</b>	111,711		111,711			-
<b>CHANGE IN NET POSITION</b>	336,245	41,596	377,841	(625,241)	(10,129)	(635,370)
<b>NET POSITION - JANUARY 1, - BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>				4,029,229	3,216,809	7,246,038
<b>CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES (NOTE 17 )</b>				(40,487)	(15,745)	(56,232)
<b>NET POSITION - JANUARY 1, - AS ADJUSTED FOR CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>	3,363,501	3,190,935	6,554,436	3,988,742	3,201,064	7,189,806
<b>NET POSITION- DECEMBER 31,</b>	\$ 3,699,746	\$ 3,232,531	\$ 6,932,277	\$ 3,363,501	\$ 3,190,935	\$ 6,554,436

See Accompanying Notes to Financial Statements

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>			<u>2011</u>		
	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received from Customers and Users	\$ 1,439,041	\$ 749,363	\$ 2,188,404	\$ 1,246,541	\$ 732,309	\$ 1,978,850
Cash Payments to Suppliers for Goods and Services	(480,457)	(231,997)	(712,454)	(428,972)	(246,010)	(674,982)
Cash Payments for Employee Services	(468,240)	(379,538)	(847,778)	(498,741)	(391,140)	(889,881)
Other Receipts (Payments)	(19,507)	41,415	21,908	(72,407)	58,738	(13,669)
<b>Net Cash Provided by Operating Activities</b>	<u>470,837</u>	<u>179,243</u>	<u>650,080</u>	<u>246,421</u>	<u>153,897</u>	<u>400,318</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and Construction of Capital Assets	(3,417,443)	(3,290)	(3,420,733)	(173,698)	(14,226)	(187,924)
Connection Fees Received	21,000	10,628	31,628	10,500	1,756	12,256
Proceeds from Issuance of Project Notes	151,000		151,000	3,549,000		3,549,000
Principal Paid on Bonds and Notes	(313,845)	(86,800)	(400,645)	(470,173)	(147,000)	(617,173)
Interest Paid on Bonds and Notes	(107,277)	(26,288)	(133,565)	(95,865)	(31,286)	(127,151)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(3,666,565)</u>	<u>(105,750)</u>	<u>(3,772,315)</u>	<u>2,819,764</u>	<u>(190,756)</u>	<u>2,629,008</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest Received on Investments	4,706	2,130	6,836	8,529	3,931	12,460
Proceeds from Maturities of Investment Securities	901,238	575,306	1,476,544	1,785,002	469,442	2,254,444
Purchase of Investment Securities	(1,036,800)	(403,200)	(1,440,000)	(1,612,800)	(627,200)	(2,240,000)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(130,856)</u>	<u>174,236</u>	<u>43,380</u>	<u>180,731</u>	<u>(153,827)</u>	<u>26,904</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,326,584)	247,729	(3,078,855)	3,246,916	(190,686)	3,056,230
<b>CASH AND CASH EQUIVALENTS - JANUARY 1,</b>	<u>4,431,881</u>	<u>359,552</u>	<u>4,791,433</u>	<u>1,184,965</u>	<u>550,238</u>	<u>1,735,203</u>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31,</b>	<u>\$ 1,105,297</u>	<u>\$ 607,281</u>	<u>\$ 1,712,578</u>	<u>\$ 4,431,881</u>	<u>\$ 359,552</u>	<u>\$ 4,791,433</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012			2011		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating Income (Loss)	\$ 278,707	\$ 10,138	\$ 288,845	\$ 23,521	\$ (17,010)	\$ 6,511
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	254,283	130,140	384,423	264,604	132,069	396,673
Miscellaneous Income		49,023	49,023		39,387	39,387
Increase (Decrease) in Cash Resulting From Changes in:						
Accounts Receivable	(49,188)	1,359	(47,829)	23,446	(7,218)	16,228
Inventory	(4,679)	(3,120)	(7,799)	3,101	2,068	5,169
Other Receivables			-	37,618	10,523	48,141
Prepaid Expenses			-	(69,864)		(69,864)
Accounts Payable	3,323	(13,180)	(9,857)	(22,217)	(4,149)	(26,366)
Accrued Liabilities	(33)	395	362	(581)	(300)	(881)
Accrued Compensated Absences	(9,832)	3,618	(6,214)	(10,613)	1,802	(8,811)
Developer Escrow Liability	(1,384)		(1,384)	(100)		(100)
Unearned Revenue	(360)	870	510	(2,494)	(3,275)	(5,769)
Total Adjustments	192,130	169,105	361,235	222,900	170,907	393,807
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 470,837</b>	<b>\$ 179,243</b>	<b>\$ 650,080</b>	<b>\$ 246,421</b>	<b>\$ 153,897</b>	<b>\$ 400,318</b>

See Accompanying Notes to Financial Statements

## **NOTES TO THE FINANCIAL STATEMENTS**

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 1 GENERAL**

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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant accounting policies:

A. Financial Reporting Entity

The commissioners of the Authority are appointed by the Borough Council of the Borough of Buena. The Service Agreement entered into between the Borough and the Authority obligates the Borough to pay annual charges, if necessary, to provide for any deficiency in the revenues of the Authority. As a result, the Authority meets the financial accountability criteria for component units set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14. The financial statements of the Borough of Buena are not presented in accordance with generally accepted accounting principles and do not present the financial statements of its component units in accordance with GASB Statement No. 14. If the provisions of GASB Statement No. 14 were being complied with, the financial statements of the Authority would have been discretely presented with those of the Borough. The Authority does not have any component units for which it is financially accountable.

B. 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.

C. 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, 2012 AND 2011**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. 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, water supply and septage 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.

D. 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.

E. 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.

F. 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.

G. 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, 2012 AND 2011**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. 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.

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

I. Restricted and Unrestricted Accounts

In accordance with the Authority's General Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Revenue Fund	All revenue received by the Authority	Transfers to the various accounts described below.
Operating Fund	An amount equal to the amount appropriated for operating expenses in the annual budget for the following three month period.	Payment of Operating Expenses.
Rebate Fund	Amount sufficient to pay any rebate amount determined by the Authority to be due to the United States of America.	Payment of Arbitrage earnings to the United States of America.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2012 AND 2011**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Restricted and Unrestricted Accounts (Continued)**

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Bond Service Fund	An amount equal to the interest plus the principal installment then due and unpaid, plus, all interest payable on the next interest payment date and depending on the calculation date, either one-half or the full amount of principal due on the next principal installment date.	Payment of debt service for the bonds.
Bond Reserve Fund	An amount equal to the maximum annual debt service in any current or future fiscal year for outstanding bonds.	To make up any deficiencies in the bond service fund and sinking fund to the extent needed.
Subordinated Indebtedness Fund	Not currently applicable.	
General Fund	Any funds available after the requirements for the other funds have been met.	To meet the requirements of the other funds. If all other fund requirements have been met, any lawful purpose of the Authority.

In addition to the accounts required by the General Bond Resolution, the Authority has also established the following restricted accounts:

Renewal and Replacement account restricted for equipment renewal or replacement.

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

The 2011 Project Account is restricted for costs related to the 2011 (Treatment Plant Upgrade) Project.

**J. 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.



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. Bond Discounts

Bond discounts arising from the issuance of debt are amortized over the life of the issue based upon the interest method as a component of interest expense. Bonds payable are reported net of the applicable bond discount ..

L. Deferred Amount on Refunding

The deferred amount on refunding 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

M. Cash and 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.

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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

N. Subsequent Events

Management has evaluated subsequent events through August 14, 2013, the date the financial statements were available for issue.

O. 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.

P. New Accounting Standards Adopted

During the year ended December 31, 2012, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

*GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the —FASB and AICPA pronouncements.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

P. New Accounting Standards Adopted (Continued)

GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced, and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts, Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

**NOTE 3 CASH AND CASH EQUIVALENTS**

At December 31, 2012 the carrying amount and bank balance of the Authority's time and demand deposits were \$993,562 and \$993,274, respectively.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**

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, 2012, \$250,000 of the Authority’s bank balance of \$993,274 was insured and \$743,274 was uninsured and collateralized.

At December 31, 2012 the Authority had \$293,191 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.

In addition to the bank deposits described above, the Authority also had \$425,825 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

**NOTE 4 INVESTMENTS**

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. At December 31, 2012 and 2011, the Authority invested \$720,000 and \$720,000 in certificates of deposits which were held in the name of the Authority.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority’s Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. One hundred percent (100.0%) of the Authority’s investments are in certificates of deposits at Susquehanna Patriot Bank with a maturity of less than one year.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 5 ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Customer Accounts Receivable:		
Sewer	\$ 146,261	\$ 92,178
Water	128,927	130,080
Septage Hauler Receivables	<u>32,871</u>	<u>26,014</u>
	308,059	248,272
Less: Allowance for Doubtful Accounts	<u>( 60,840)</u>	<u>( 48,882)</u>
	<u>\$ 247,219</u>	<u>\$ 199,390</u>

**NOTE 6 CAPITAL ASSETS**

Capital Asset activity for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2012</u>
Non-Depreciable Capital Assets:				
Land	\$ 408,218	\$ 81,534	\$	\$ 489,752
Construction in Progress	<u>291,537</u>	<u>3,530,903</u>	<u>          </u>	<u>3,822,440</u>
Total Non-Depreciable Capital Assets	<u>699,755</u>	<u>3,612,437</u>	<u>          </u>	<u>4,312,192</u>
Depreciable Capital Assets:				
Treatment Plant and Facilities	5,171,510	31,848		5,203,358
Pumping Stations, Interceptors and Improvements	2,646,004			2,646,004
Machinery and Equipment	2,528,991	3,710		2,532,701
Water Distribution System	<u>5,434,661</u>	<u>          </u>	<u>          </u>	<u>5,434,661</u>
Total Depreciable Capital Assets	<u>15,781,166</u>	<u>35,558</u>	<u>          </u>	<u>15,816,724</u>
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	2,915,789	135,015		3,050,804
Pumping Stations, Interceptors and Improvements	1,309,206	56,315		1,365,521
Machinery and Equipment	2,234,065	71,507		2,305,572
Water Distribution System	<u>2,295,939</u>	<u>121,586</u>	<u>          </u>	<u>2,417,525</u>
Total Accumulated Depreciation	<u>8,754,999</u>	<u>384,423</u>	<u>          </u>	<u>9,139,422</u>
Depreciable Capital Assets, Net	<u>7,026,167</u>	<u>( 348,865)</u>	<u>          </u>	<u>6,677,302</u>
Total Capital Assets, Net	<u>\$ 7,725,922</u>	<u>\$ 3,263,572</u>	<u>\$</u>	<u>\$ 10,989,494</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the years ended December 31, 2012 and 2011 was charged to:

	<u>2012</u>	<u>2011</u>
Sewer Operation	\$ 254,283	\$ 264,604
Water Operation	<u>130,140</u>	<u>132,069</u>
	<u>\$ 384,423</u>	<u>\$ 396,673</u>

**NOTE 7 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 Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The State of New Jersey Public Employees’ Retirement System is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System’s designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction’s pension fund. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The System provides specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was 6.5% of annual compensation. The member contribution amount increased to 6.64% effective July 1, 2012 and is scheduled to increase by 0.14% per year until the contribution rate reaches 7.50% in July 2018. Employer’s contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 7 PENSIONS (CONTINUED)**

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits are funded on a pay-as-you-go basis.

For 2012 and 2011 the Authority had annual pension cost of \$62,092 and \$58,353, respectively.

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/12	\$ 62,092	100%	\$ -
12/31/11	58,353	100%	-
12/31/10	50,379	100%	-

**NOTE 8 LONG-TERM DEBT**

A. Project Note Payable

In November 2011, the Authority issued Project Notes in the amount of \$3,549,000, in anticipation of permanent financing of bonds to be issued to the USDA Rural Development to finance the Authority's construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. The interest rate was 0.75% per annum.

The Project Note amount was increased to \$3,700,000 on November 8, 2012 and is due to mature on August 8, 2013. The interest rate is 0.95% per annum.

B. Bonds Payable

In September 2003, the Authority issued its Sewer Revenue Bonds (Series 2003A), in the principal amount of \$5,995,000. The proceeds derived from the issuance and sale of the Bonds were used to: currently refund the Authority's 1991 Revenue Bonds (Series A) dated November 1, 1991 then outstanding in the aggregate principal amount of \$1,390,000; currently refund the Authority's 1991 Revenue Bonds (Series B) dated November 14, 1991 then outstanding in the aggregate principal amount of \$1,082,093; currently refund the Authority's 1993 Revenue Bonds (Series A) dated July 1, 1993 then outstanding in the aggregate principal amount of \$2,455,000; advance refund the Authority's 1997 Revenue Bonds (Series A) dated October 15, 1997 then outstanding in the aggregate principal amount of \$590,000; currently refund the Authority's 2000 Revenue Bonds dated November 22, 2000 then outstanding in the aggregate principal amount of \$382,765; fund the Bond Reserve Fund to equal the Bond Reserve Requirement, make a deposit into the Bond Service Fund; and pay for the costs of issuance incurred in connection with the sale of the Series 2003A Bonds.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

B. Bonds Payable (Continued)

The outstanding balance of the Series 2003A Bonds consists of serial bonds that mature annually to 2019 in various amounts ranging from \$245,000 to \$405,000 with interest rates ranging from 3.70% to 4.30% per annum.

The Series 2003A Bonds maturing prior to December 1, 2014 are not subject to optional redemption prior to maturity. The Series 2003A Bonds maturing on or after December 1, 2014 shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after December 1, 2013 as a whole or in part at any time (and selected by lot of within a maturity) at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2003A Bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption.

In conjunction with the issuance of its Series 2003A Refunding Bonds, the Authority issued its Series 2003L and Series 2003T Bonds in substitution of, and in exchange for, its Series 1997L and Series 1997T Bonds originally issued to the State of New Jersey and New Jersey Environmental Infrastructure Trust respectively.

The Series 2003L and Series 2003T Bonds are issued pursuant to the Loan Agreement dated November 1, 1997 by and between the State, acting by and through the New Jersey Department of Environmental Protection; the New Jersey Environmental Infrastructure Trust (the Trust); and the Authority, and are subject to the same terms and conditions as the Series 1997T and Series 1997L Bonds.

The Series 2003L Bonds are non-interest bearing and mature in various amounts from 2013 through 2017.

The Series 2003T Bonds mature in various amounts ranging from \$55,000 in 2013 to \$65,000 in 2017 with an interest rate of 5.00% per annum.

C. 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 following is a summary of changes in debt liabilities for the year ended December 31, 2012:



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

<u>Type of Debt</u>	<u>Balance</u> <u>January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Project Note Payable Series 2003A	\$ 3,549,000	\$ 151,000	\$	\$ 3,700,000	\$ 3,700,000
Revenue Bonds Series 2003L	2,360,000		310,000	2,050,000	245,000
Revenue Bonds Series 2003T	211,322		40,645	170,677	40,645
Revenue Bonds	<u>355,000</u>	<u>          </u>	<u>50,000</u>	<u>305,000</u>	<u>50,000</u>
	6,475,322	151,000	400,645	6,225,677	3,949,645
Less:					
Unamortized Original Issue Discount	( 1,446)	<u>          </u>	( 302)	( 1,144)	
Total Bonds and Notes Payable	6,473,876	151,000	400,343	6,224,533	3,949,645
Accrued Compensated Absences	<u>58,295</u>	<u>6,214</u>	<u>          </u>	<u>64,509</u>	<u>          </u>
Total Long-Term Liabilities	<u>\$ 6,532,171</u>	<u>\$ 157,214</u>	<u>\$ 400,343</u>	<u>\$ 6,289,042</u>	<u>\$ 3,949,645</u>

The annual debt service requirements to maturity, including principal and interest, for project notes payable and revenue bonds payable as of December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,042,097	\$ 96,600	\$ 4,138,697
2014	353,396	84,660	438,056
2015	366,562	72,285	438,847
2016	377,708	58,160	436,268
2017	350,914	42,885	393,799
2018-2019	<u>735,000</u>	<u>47,015</u>	<u>782,015</u>
Total	<u>\$ 6,225,677</u>	<u>\$ 538,607</u>	<u>\$ 6,627,682</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 9 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.

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/>.

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, 2012, 2011, and 2010, were \$35,455, \$24,957, and \$23,997, respectively, which equaled the required contributions for each year. There were 4 retired participants eligible at December 31, 2012, and 3 retired participants in 2011, and 2010, respectively.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 10 INTEREST EXPENSE**

Interest expense consists of the following:

	<u>2012</u>	<u>2011</u>
Interest on Bonds and Notes	\$ 105,403	\$ 125,054
Amortization of Original Issue Discount	302	355
Amortization of Deferred Amount on Refunding	<u>25,234</u>	<u>32,667</u>
Net Interest Expense	<u>\$ 130,939</u>	<u>\$ 158,076</u>

**NOTE 11 AMOUNTS REQUIRED BY GENERAL BOND RESOLUTION**

The following restricted cash and investment accounts are required by the Authority's General Bond Resolution:

	<u>Operating Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve</u>
Required Amount	\$ 468,846	\$ 163,863	\$ 721,046
Cash and Investments	<u>619,670</u>	<u>133,370</u>	<u>766,317</u>
	<u>\$ 180,824</u>	<u>(\$ 30,493) *</u>	<u>\$ 45,271</u>

\*Due to timing differences. Additions were made in 2013.

**NOTE 12 RESTRICTED NET POSITION**

The Authority has restricted net position for the following purposes in accordance with the requirements of its General Bond Resolution.

	<u>2012</u>		<u>2011</u>	
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water Operations</u>
Current Debt Service	\$ 97,210	\$ 25,529	\$ 35,592	\$ 10,695
Operations	287,954	180,892	270,373	182,606

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011**

**NOTE 13 DESIGNATED UNRESTRICTED NET POSITION**

As of December 31, 2012 and 2011, the Authority had unrestricted net position balances of \$974,483 and \$706,244 respectively.

The Authority has, by resolution, designated a portion of its Unrestricted Net Position for the following purposes:

	<u>2012</u>		<u>2011 (Restated)</u>	
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water Operations</u>
Designated for Equipment Renewal and Replacement	\$ 290,000	\$	\$ 290,000	\$
Designated for Post Employment Benefits			60,000	
Designated for Subsequent Year's Expenditures	121,561	89,112	118,204	132,140
Less: Amount Transferred to Undesignated Net Position		-	( 44,051)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Designated Unrestricted Net Position	<u>\$ 411,561</u>	<u>\$ 89,112</u>	<u>\$ 424,153</u>	<u>\$ 132,140</u>

The unrestricted net position-designated for subsequent year's expenditures at December 31, 2012 and 2011 has been appropriated and included as anticipated revenue in the Authority's 2013 and 2012 budgets respectively.

**NOTE 14 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 purchases commercial insurance for risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

The Authority has been under an obligation to cease discharge of treated wastewater to the Deep Run Stream since 1995 by the Pinelands Commission. In 1990 the BBMUA received an approval from the Pinelands Commission to upgrade its existing wastewater treatment plant and construct a force main to convey the treated effluent to a facility that would discharge the wastewater to groundwater. As a condition of the approval, the BBMUA wastewater treatment plant was to cease its discharge into the Deep Run by June 1, 1995 and implement a discharge to groundwater program. The BBMUA spent several years and contributed a substantial amount of resources investigating the possibility of utilizing deep and shallow well injection facilities for effluent disposal. Ultimately the use of injection wells for effluent disposal was not approved by the New Jersey Department of Environmental Protection (NJDEP).

In an effort to meet the Pinelands Commission requirements, the BBMUA entered into a Memorandum of Agreement (MOA) dated March 27, 2007 with the Pinelands Commission and Buena Vista Township.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The MOA would have permitted the BBMUA to construct Infiltration/Percolation (I/P) Lagoons within a Pinelands Agricultural Production Area in the Borough of Buena. The Pinelands Commission required measures to be taken to ensure, at a minimum, an equivalent level of protection of Pinelands resources. In order to meet this requirement Buena Vista Township, as a part of the MOA, permanently deed restricted 232 acres of municipally owned land in Forest and Rural Development Areas within the Pinelands against future development. In exchange for providing the necessary land preservation offset, Buena Vista Township will receive a share of the total wastewater flow allocation.

During 2008, the Authority submitted an application to the USDA Rural Development for funding in the amount of \$4,603,000 for the proposed construction of the facilities described above together with certain related improvements. In April 2009, USDA Rural Development made its funding determination with respect to the proposed project and approved funding of \$4,603,000 consisting of \$3,549,000 in loan funds and \$1,054,000 in grant funds.

In June 2009, the Authority submitted its application to the Local Finance Board for its review of a proposed financing by the Authority to finance the proposed construction of the facilities described above (the "2009 Project"). The Local Finance Board held its hearing on July 8, 2009 and issued positive findings with respect to the proposed project financing. The amount of debt proposed to be issued was \$3,549,000, with a not to exceed amount of \$3,700,000.

The Authority acquired the land necessary to construct the proposed project and conducted extensive geotechnical and hydrogeologic testing on the property and analyzed potential groundwater mounding conditions under the proposed wastewater loading conditions. In 2011, the results of the testing were reviewed by the Pinelands Commission staff, the Authority's engineers and the staff of the United States Geological Survey who concluded that the property cannot satisfactorily infiltrate and percolate the hydraulic load from the Authority's sewage treatment plant.

Given the fact the Authority previously investigated numerous alternatives to meet its wastewater disposal needs as previously described, none of which proved to be feasible, the Pinelands Commission on May 16, 2011 conducted a public hearing regarding a proposed first amendment to the March 27, 2007 MOA and on May 27, 2011 adopted a resolution authorizing the Executive Director of the Pinelands Commission to enter into a first amendment of the March 27, 2007 MOA amongst the Pinelands Commission, the Authority and the Township of Buena Vista. The amendment to the MOA, among other things, eliminated the Authority's obligation to construct the infiltration/percolation facility, authorized the continued discharge of treated wastewater from the Authority's sewage treatment plant into a tributary of the Deep Run and required the installation of best available wastewater treatment technology at its treatment plant.

Because the amended MOA results in a change in the type of project to be undertaken, the Authority on June 8, 2011 authorized the filing of an application to the Local Finance Board for its review of a proposed financing by the Authority to finance the proposed construction of the facilities described above (the "2011 Project"). This application did not change the amount of debt originally proposed to be issued for the 2009 Project, only the description of the project. The Local Finance Board held its hearing on August 10, 2011 and issued positive findings with respect to the proposed project financing.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

As described in Note 8, in November 2011, the Authority issued Project Notes in the amount of \$3,549,000 in anticipation of permanent financing of bonds to be issued to the USDA Rural Development, which together with a USDA Rural Development grant in the amount of \$1,054,000 are being used to finance the Authority's construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. A construction contract in the amount of \$3,912,000 was awarded in November of 2011 and was subsequently amended to \$4,052,546. Costs incurred on that contact at December 31, 2012 totaled \$3,379,574.

**NOTE 16 COMPLIANCE WITH THE RATE COVENANT CONTAINED IN THE AUTHORITY'S BOND RESOLUTION**

Section 612 of the Authority's Bond Resolution requires the Authority to estimate, compute, make, charge and collect rates and charges so that Revenues, as defined in the Resolution, will be at least sufficient to pay Operating Expenses of the Authority for the year; provide an amount which will at least equal 100% of the Annual Debt Service Requirement for the year; to provide the amount needed, if any, so that the amount on deposit in the Bond Reserve Fund will equal the Bond Reserve Requirement; to provide for the payment of amounts due on Subordinated Indebtedness and all other charges or liens which are related to the System whatsoever; and to provide for payment of any additional amounts which are necessary to comply with the provisions of the Resolution and all other statutory and legal obligations of the Authority. For the purpose of Section 612 of the Resolution, Revenues are deemed to include "any funds, which the Authority deposits in the Revenue Fund, regardless of the source thereof." For the years 2012 and 2011, Revenues as defined were sufficient to meet the rate covenant contained in Section 612 of the Authority's Bond Resolution.

**NOTE 17 CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE**

As discussed in Note 2, during the year ended December 31, 2012, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) resulting in a change in accounting principles:

GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;

GASBS No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASBS No. 65, Items Previously Reported as Assets and Liabilities

The change in accounting principles is retroactive to prior reporting periods and resulted in the adjustment detailed below:

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 17 CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONTINUED)**

Summary Statement of Net Position  
As of December 31, 2011

	Previously Reported	Prior Period Adjustment	Restated
<b>Assets</b>			
Current Assets - Unrestricted	\$ 852,453	\$ -	\$ 852,453
Noncurrent Assets:			
Restricted Assets	5,262,396	-	5,262,396
Capital Assets, Net	7,725,922	-	7,725,922
Debt Issue Costs	71,297	(71,297)	-
Total Assets	13,912,068	(71,297)	13,840,771
<b>Deferred Outflows of Resources</b>			
Deferred Loss on Defeasance of Debt		76,083	76,083
Total Deferred Outflows of Resources	-	76,083	76,083
<b>Liabilities</b>			
Current Liabilities	4,779,893	-	4,779,893
Noncurrent Liabilities:			
Revenue Bonds Payable	2,448,147	76,083	2,524,230
Other	58,295	-	58,295
Total Liabilities	7,286,335	76,083	7,362,418
<b>Net Position</b>			
Net Investment in Capital Assets	5,496,308	(147,382)	5,348,926
Restricted	499,266	-	499,266
Unrestricted	630,159	76,085	706,244
Total Net Position	\$ 6,625,733	\$ (71,297)	\$ 6,554,436

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 17 CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONTINUED)**

Summary Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended December 31, 2011

	Previously Reported	Prior Period Adjustment	Restated
Operating Revenues	\$ 1,974,603	\$ -	\$ 1,974,603
Operating Expenses	(1,968,092)	-	(1,968,092)
Non-Operating Revenues (Expenses):			
Amortization of Debt Issue Costs	(10,850)	10,850	-
Debt Issue Costs Incurred		(25,915)	(25,915)
Other Non-Operating Revenues (Expenses)	(615,966)	-	(615,966)
Change in Net Position (Formerly Net Assets)	(620,305)	(15,065)	(635,370)
Net Position January 1,	7,246,038	(56,232)	7,189,806
Net Position December 31,	\$ 6,625,733	\$ (71,297)	\$ 6,554,436

**NOTE 18 SUBSEQUENT EVENTS**

On June 28, 2013, the Authority closed on its Series 2013 Bonds issued to USDA Rural Development in the amount of \$3,549,000. The proceeds of the Series 2013 Bonds, together with other available funds of the Authority were used to pay off the Authority's Series 2012 Project Note in the amount of \$3,700,000.



## **SUPPLEMENTARY INFORMATION**

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - RESTRICTED AND UNRESTRICTED**  
**YEAR ENDED DECEMBER 31, 2012**  
**WITH COMPARATIVE TOTALS FOR 2011**

	SEWER OPERATION					WATER OPERATION					TOTAL	
	NET INVESTMENT IN CAPITAL ASSETS	UNRESTRICTED		RESTRICTED		NET INVESTMENT IN CAPITAL ASSETS	UNRESTRICTED		RESTRICTED		2012 (MEMO)	2011 (Restated) (MEMO)
		UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		
<b>OPERATING REVENUE:</b>												
User Charges	\$	\$ 1,252,978	\$	\$	\$	\$ 732,161	\$	\$	\$	\$	\$ 1,985,139	\$ 1,697,105
Interest on Delinquent Accounts		25,291				14,974					40,265	34,806
Septage Fees		209,960									209,960	235,335
Miscellaneous Income						13,845					13,845	7,357
	-	1,488,229	-	-	-	-	760,980	-	-	-	2,249,209	1,974,603
<b>OPERATING EXPENSES:</b>												
Cost of Providing Services		768,257				462,068					1,230,325	1,171,867
Administrative and General		186,982				158,634					345,616	399,552
Depreciation		254,283				130,140					384,423	396,673
	-	1,209,522	-	-	-	-	750,842	-	-	-	1,960,364	1,968,092
<b>OPERATING INCOME (LOSS)</b>	-	278,707	-	-	-	-	10,138	-	-	-	288,845	6,511
<b>NON-OPERATING REVENUE (EXPENSES):</b>												
Connection Fees		39,136				13,584					52,720	55,033
Interest Income		1,284		3,166		801		1,230			6,481	11,158
Miscellaneous Income						49,023					49,023	39,387
Abandonment of Project											-	(563,468)
Interest Expense		(97,759)				(33,180)					(130,939)	(158,076)
Debt Issue Costs Incurred											-	(25,915)
	-	(57,339)	-	3,166	-	-	30,228	-	1,230	-	(22,715)	(641,881)
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	-	221,368	-	3,166	-	-	40,366	-	1,230	-	266,130	(635,370)
<b>CAPITAL CONTRIBUTIONS</b>		111,711									111,711	-
<b>TRANSFERS:</b>												
Other Transfers	57,417	(124,024)	(12,592)	61,618	17,581	(40,134)	70,042	(43,028)	14,834	(1,714)	-	-
Interest Income		3,166		(3,166)			1,230	(1,230)			-	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	57,417	212,221	(12,592)	61,618	17,581	(40,134)	111,638	(43,028)	14,834	(1,714)	377,841	(635,370)
<b>NET POSITION - JANUARY 1, (Restated)</b>	2,633,383		424,153	35,592	270,373	2,715,543	149,951	132,140	10,695	182,606	6,554,436	7,189,806
<b>NET POSITION - DECEMBER 31,</b>	\$ 2,690,800	\$ 212,221	\$ 411,561	\$ 97,210	\$ 287,954	\$ 2,675,409	\$ 261,589	\$ 89,112	\$ 25,529	\$ 180,892	\$ 6,932,277	\$ 6,554,436

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN CASH AND INVESTMENTS  
 UNRESTRICTED ACCOUNTS  
 YEAR ENDED DECEMBER 31, 2012**

	<u>LOCAL REVENUE ACCOUNT</u>	<u>OPERATING CHECKING ACCOUNT</u>	<u>GENERAL FUND</u>	<u>TOTAL</u>
<b>CASH AND INVESTMENTS - JANUARY 1,</b>	\$ 54,189	\$ 184,019	\$ 12,607	\$ 250,815
<b>CASH RECEIPTS:</b>				
User Charges and Fees	2,185,801			2,185,801
Connection Fees	31,628			31,628
Other Income / Reimbursements	106,592	1,413		108,005
Interest on Investments	94	301	7	402
Transfer from Restricted Accounts	1,444,730	5,014,118	233,523	6,692,371
<b>Total Cash and Investments Available</b>	<u>3,823,034</u>	<u>5,199,851</u>	<u>246,137</u>	<u>9,269,022</u>
<b>CASH DISBURSEMENTS:</b>				
Operations		1,589,974		1,589,974
Transfers to Restricted Accounts	3,633,719			3,633,719
Additions to Construction In Progress		3,412,211		3,412,211
Fixed Assets Purchased from Operations		35,138		35,138
<b>Total Cash Disbursed</b>	<u>3,633,719</u>	<u>5,037,323</u>	<u>-</u>	<u>8,671,042</u>
<b>CASH AND INVESTMENTS - DECEMBER 31,</b>	<u>\$ 189,315</u>	<u>\$ 162,528</u>	<u>\$ 246,137</u>	<u>\$ 597,980</u>
<b>BALANCE COMPRISED OF:</b>				
Cash and Cash Equivalents:				
Non-Interest Bearing Accounts	\$ 189,315	\$ 250	\$	\$ 250
Interest Bearing Accounts	189,315	162,278	246,137	597,730
	<u>\$ 189,315</u>	<u>\$ 162,528</u>	<u>\$ 246,137</u>	<u>\$ 597,980</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS  
RESTRICTED ACCOUNTS  
YEAR ENDED DECEMBER 31, 2012**

	ACCOUNTS REQUIRED BY THE AUTHORITY'S GENERAL BOND RESOLUTION				OTHER			TOTAL
	DEBT SERVICE	DEBT RESERVE	OPERATING	TRUSTEE REVENUE	PROJECT ACCOUNT	DEVELOPER ESCROW ACCOUNT	RENEWAL AND REPLACEMENT ACCOUNT	
<b>CASH AND INVESTMENTS - JANUARY 1,</b>	\$ 58,462	\$ 766,317	\$ 455,877	\$ 108,042	\$ 3,552,287	\$ 26,607	\$ 293,026	\$ 5,260,618
<b>CASH RECEIPTS:</b>								
Escrow Deposits						2,414		2,414
Proceeds from Project Note					151,000			151,000
Transfers from Unrestricted Accounts				3,633,719				3,633,719
Interest Received	14	3	1,515	4,736	8,025	29	165	14,487
Transfers Restricted Accounts	582,487	(3)	1,604,807	(2,068,244)	(119,047)			-
<b>Total Cash and Investments Available</b>	<u>640,963</u>	<u>766,317</u>	<u>2,062,199</u>	<u>1,678,253</u>	<u>3,592,265</u>	<u>29,050</u>	<u>293,191</u>	<u>9,062,238</u>
<b>CASH DISBURSEMENTS:</b>								
Debt Service Payments	507,593				26,617			534,210
Charges to Escrow Account						1,059		1,059
Transfer to Unrestricted Accounts			1,604,807	1,678,253	3,409,311			6,692,371
<b>Total Cash Disbursements</b>	<u>507,593</u>	<u>-</u>	<u>1,604,807</u>	<u>1,678,253</u>	<u>3,435,928</u>	<u>1,059</u>	<u>-</u>	<u>7,227,640</u>
<b>CASH AND INVESTMENTS - DECEMBER 31,</b>	<u>\$ 133,370</u>	<u>\$ 766,317</u>	<u>\$ 457,392</u>	<u>\$ -</u>	<u>\$ 156,337</u>	<u>\$ 27,991</u>	<u>\$ 293,191</u>	<u>\$ 1,834,598</u>
<b>BALANCE COMPRISED OF:</b>								
Cash and Cash Equivalents:								
Interest Bearing Accounts	\$ 133,370	\$ 46,317	\$ 457,392	\$ -	\$ 156,337	\$ 27,991	\$ 293,191	\$ 1,114,598
Investments (At Cost):								
Certificate of Deposit		720,000						720,000
	<u>\$ 133,370</u>	<u>\$ 766,317</u>	<u>\$ 457,392</u>	<u>\$ -</u>	<u>\$ 156,337</u>	<u>\$ 27,991</u>	<u>\$ 293,191</u>	<u>\$ 1,834,598</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES AND COSTS FUNDED BY**  
**REVENUES COMPARED TO BUDGET - BUDGETARY BASIS**  
**YEAR ENDED DECEMBER 31, 2012**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>SEWER OPERATIONS</b>			<b>WATER OPERATIONS</b>		
	<b>2012 BUDGET</b>	<b>2012 ACTUAL</b>	<b>2011 ACTUAL</b>	<b>2012 BUDGET</b>	<b>2012 ACTUAL</b>	<b>2011 ACTUAL</b>
<b>REVENUE:</b>						
User Charges and Fees	\$ 1,191,700	\$ 1,252,978	\$ 967,918	\$ 686,632	\$ 732,161	\$ 729,187
Interest on Delinquent Accounts	18,000	25,291	21,191	9,000	14,974	13,615
Connection Fees	17,500	39,136	51,000	3,780	13,584	4,033
Septage Fees	180,000	209,960	235,335			
Miscellaneous Operating Income	1,000			5,000	13,845	7,357
Miscellaneous Non-Operating Income				39,000	49,023	39,387
Interest on Investments	7,500	4,450	7,577	4,000	2,031	3,581
Net Position Appropriated	118,204		277,566	132,140		30,040
<b>Total Revenue</b>	<b>1,533,904</b>	<b>1,531,815</b>	<b>1,560,587</b>	<b>879,552</b>	<b>825,618</b>	<b>827,200</b>
<b>EXPENSES:</b>						
Costs of Providing Services:						
Salaries and Wages	279,552	284,629	275,813	213,009	217,825	211,650
Employee Benefits	150,220	124,742	114,850	112,407	88,966	77,848
Automotive Expenses	15,000	6,532	11,485	14,000	4,081	5,736
Office Supplies - Plant	3,000	503	1,100	1,000	356	1,100
Operating Supplies	124,000	104,601	101,384	48,500	30,481	33,760
Utilities	180,000	181,692	161,754	102,000	97,280	88,194
Repairs and Maintenance	85,000	48,387	39,578	45,000	15,236	17,705
General Expense				1,500		
Laboratory Supplies	5,000	6,016	5,884	3,500	2,600	2,277
Laboratory Testing	20,000	11,155	14,814	9,000	3,222	5,053
Public Water Tax				2,500	2,021	1,882
	<b>861,772</b>	<b>768,257</b>	<b>726,662</b>	<b>552,416</b>	<b>462,068</b>	<b>445,205</b>
Administrative and General Expenses:						
Salaries and Wages	35,486	39,931	69,102	35,486	39,931	69,102
Employee Benefits	32,060	28,803	28,943	32,060	28,803	34,639
Office Supplies and Expenses	6,000	6,583	8,882	6,000	6,583	8,882
Computer Expense	5,000	3,449	3,623	9,000	6,599	6,773
Professional Services	80,000	52,323	54,259	52,000	47,033	40,793
Insurance	15,000	9,021	8,590	15,000	9,021	8,590
Postage/Billing	5,000	3,861	3,498	6,000	4,781	4,373
Telephone	5,000	5,588	5,321	5,000	5,588	5,321
Education	4,000			2,500	1,442	1,410
Legal Advertising	1,000	293	1,590	1,000	293	921
Licenses, Fees, Permits and Assessments	35,000	25,379	25,849	10,000	8,354	9,091
Provision for Doubtful Accounts		11,751			206	
	<b>223,546</b>	<b>186,982</b>	<b>209,657</b>	<b>174,046</b>	<b>158,634</b>	<b>189,895</b>
Interest Expense	83,475	79,373	94,535	26,290	26,030	30,874

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUES AND COSTS FUNDED BY  
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS  
YEAR ENDED DECEMBER 31, 2012**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>SEWER OPERATIONS</u>			<u>WATER OPERATIONS</u>		
	<u>2012 BUDGET</u>	<u>2012 ACTUAL</u>	<u>2011 ACTUAL</u>	<u>2012 BUDGET</u>	<u>2012 ACTUAL</u>	<u>2011 ACTUAL</u>
<b>OTHER COSTS FUNDED BY REVENUES:</b>						
Principal Maturities	\$ 313,845	\$ 313,845	\$ 470,173	\$ 86,800	\$ 86,800	\$ 147,000
Reserve For Future Debt Service	16,266		-			-
Other Reserves	10,000		-			-
Construction In Progress		10,284	21,376			-
Capital Outlays	25,000	31,848	38,184	40,000	3,290	14,226
	<u>365,111</u>	<u>355,977</u>	<u>529,733</u>	<u>126,800</u>	<u>90,090</u>	<u>161,226</u>
<b>TOTAL COSTS FUNDED BY REVENUES</b>	<u>1,533,904</u>	<u>1,390,589</u>	<u>1,560,587</u>	<u>879,552</u>	<u>736,822</u>	<u>827,200</u>
<b>REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES</b>	<u>\$ -</u>	141,226	-	<u>\$ -</u>	88,796	-
<b>Reconciliation of Budgetary Basis to Change in Net Position</b>						
Adjustments to Budgetary Basis:						
Principal Maturities		313,845	470,173		86,800	147,000
Capital Outlays		42,132	59,560		3,290	14,226
Depreciation		(254,283)	(264,604)		(130,140)	(132,069)
Debt Issue Costs Incurred			(25,915)		-	-
Amortization Charged to Interest Expense		(18,386)	(23,421)		(7,150)	(9,246)
Abandonment of Project			(563,468)		-	-
Capital Contributions		111,711	-		-	-
Net Position Appropriated		-	(277,566)		-	(30,040)
<b>CHANGE IN NET POSITION PER EXHIBIT B</b>		<u>\$ 336,245</u>	<u>\$ (625,241)</u>		<u>\$ 41,596</u>	<u>\$ (10,129)</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 A  
DECEMBER 31, 2012**

<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>2012</u>	<u>2012</u>	<u>DECEMBER 31,</u>
					<u>2012</u>			<u>2012</u>
9/1/2003	\$ 5,995,000	3.700%	12/1/2013	\$ 245,000	\$ 2,360,000	\$	\$ 310,000	\$ 2,050,000
		3.750%	12/1/2014	250,000				
		4.000%	12/1/2015	265,000				
		4.000%	12/1/2016	270,000				
		4.100%	12/1/2017	285,000				
		4.200%	12/1/2018	405,000				
		4.300%	12/1/2019	330,000				
					<u>\$ 2,360,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 2,050,000</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 L  
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
DECEMBER 31, 2012**

<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>DATE</u>	<u>AMOUNT</u>	<u>JANUARY 1,</u>	<u>2012</u>	<u>2012</u>	<u>DECEMBER 31,</u>
				<u>2012</u>			<u>2012</u>
9/1/2003	\$ 546,310	4/1/2013	\$ 42,097	\$ 211,322	\$	\$ 40,645	\$ 170,677
		4/1/2014	43,395				
		4/1/2015	41,562				
		4/1/2016	42,708				
		4/1/2017	915				
				<u>\$ 211,322</u>	<u>\$ -</u>	<u>\$ 40,645</u>	<u>\$ 170,677</u>

The Series 2003 L Bonds (formerly Series 1997 L Bonds) are interest free obligations.

In conjunction with the issuance of its Series 2003 A Refunding Bonds, the Authority issued the Series 2003 L Bonds in substitution of, and in exchange for, the Series 1997 L Bonds, originally issued to the State of New Jersey. The 2003 L Bonds are issued pursuant to the Loan Agreement dated November 1, 1997 and are subject to the same terms and conditions as the Series 1997 L Bonds.



**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
 SCHEDULE OF SERIAL REVENUE BONDS PAYABLE - SERIES 2003 T  
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
 DECEMBER 31, 2012**

<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, 2012</u>	<u>2012</u>	<u>2012</u>	<u>DECEMBER 31, 2012</u>
9/1/2003	\$ 690,000	5.00%	4/1/2013	\$ 55,000	\$ 355,000	\$	\$ 50,000	\$ 305,000
		5.00%	4/1/2014	60,000				
		5.00%	4/1/2015	60,000				
		5.00%	4/1/2016	65,000				
		5.00%	4/1/2017	65,000				
					<u>\$ 355,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 305,000</u>

In conjunction with the issuance of its Series 2003 A Refunding Bonds, the Authority issued the Series 2003 T Bonds in substitution of, and in exchange for, the Series 1997 T Bonds, originally issued to the New Jersey Environmental Infrastructure Trust. The 2003 T Bonds are issued pursuant to the Loan Agreement dated November 1, 1997 and are subject to the same terms and conditions as the Series 1997 T Bonds.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Receivable December 31, 2011	Cash Received	Budgetary Expenditures	Receivable December 31, 2012
			From	To				
U.S. Department of Agriculture								
ARRA - Water and Waste Disposal Systems For Rural Communities - Loan	10.781	\$ 3,549,000	5/7/2009	Completion	\$ 299,364 (1)	\$ -	\$ 3,249,636	\$ 3,549,000 (1)
ARRA - Water and Waste Disposal Systems For Rural Communities - Grant	10.781	1,054,000	5/7/2009	Completion	-	-	111,711	111,711
Total Federal Financial Awards					<u>\$ 299,364</u>	<u>\$ -</u>	<u>\$ 3,361,347</u>	<u>\$ 3,660,711</u>

(1) Represents the amount to be funded through direct loans through USDA Rural Development.

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2012**

**NOTE 1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the federal award activity of the Borough of Buena Municipal Utilities Authority. The Authority is defined in Notes to the Financial Statements, Note 1. All federal assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included in the Schedule of Expenditures of Federal Awards.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting in accordance with generally accepted accounting principles as described in the Notes to the Financial Statements, Note 2.

**NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS**

The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles and amounts reported in the Schedule of Expenditures of Federal Awards agree with amounts reported in the Authority's financial statements.

**NOTE 4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Part 1 - Summary of Auditor's Report**

**Financial Statements**

Type of auditor's report issued : Unqualified

Internal control over financial reporting :

1) Material weakness(es) identified ?        yes   X   no

2) Were significant deficiencies identified that were not considered to be material weaknesses ?        yes   X   none reported

Noncompliance material to the general-purpose financial statements noted ?        yes   X   no

**Federal Awards**

Internal control over compliance :

1) Material weakness(es) identified ?        yes   X   no

2) Were significant deficiencies identified that were not considered to be material weaknesses ?        yes   X   none reported

Type of auditor's report on compliance for major programs : Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?        yes   X   no

Identification of major programs :

**CFDA Numbers**

**Name of Federal Program**

10.781

ARRA - Water and Waste Disposal Systems for Rural Communities - Loan

10.781

ARRA - Water and Waste Disposal Systems for Rural Communities - Grant

Dollar threshold used to determine Type A programs : \$300,000

Auditee qualified as low risk auditee ?        yes   X   no

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2012**

**Part 2 - Schedule of Financial Statement Findings**

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* and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

**NONE NOTED**

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2012**

**Part 3 - Schedule of Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133

**NONE NOTED**

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR-YEAR FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
YEAR ENDED DECEMBER 31, 2012**

This section identifies the status of prior-year findings related to the financial statements and Federal Awards that are required to be reported in accordance with *Government Auditing Standards*, U.S. OMB Circular A-133 and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

**Financial Statement Findings**

**None Noted**

**Federal Awards**

**None Noted**

## **ROSTER OF OFFICIALS**

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

### Authority Members

### Position

John Brunini	Chairman
Richard Baker	Vice Chairman/Asst. Treasurer
Herbert Bertonazzi	Member
Charles Mielke	Member
Francisco Soto	Member
Sharon Woshnak	Alternate
E. James Dubois	Alternate

### 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