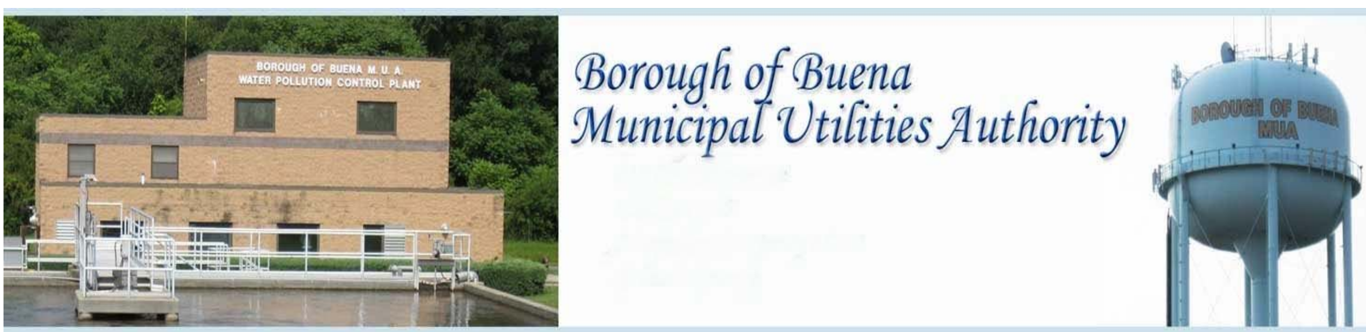
BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018



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

BOROUGH OF BUENA

MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

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Romano, Hearing, Testa & Knorr
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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Auditor's Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Buena Municipal Utilities Authority as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021 on our consideration of the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

February 10, 2021

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, New Jersey, as of and for the years ended December 31, 2019 and 2018, 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 February 10, 2021.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Buena Municipal Utilities Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards,* and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Borough of Buena Municipal Utilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

February 10, 2021

REQUIRED SUPPLEMENTARY INFORMATION
PART I

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, 2019. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

During 2019, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objectives of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides.

During 2018, as reflected in the prior year financial statements, the Authority adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB Statement No. 85, Omnibus 2017, GASB Statement No. 86, Certain Debt Extinguishment Issues. GASB 85 and 86 had no impact on the Authority's financial statements.

REQUIRED FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

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

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

SEWER OPERATION

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS

- The Net Capital Assets of the Authority's Sewer Operation total $7.39 million, which is a $214 thousand or 2.81% decrease from 2018. Even though there were routine additions to current year capital asset equipment, the decrease is attributable to the depreciation of prior year assets outweighing the additions.

- The Total Assets of the Authority's Sewer Operation decreased $40 thousand to $9.95 million in 2019. The decrease was mainly attributable to the decrease in Net Capital Assets.

- During the year, the operating revenues of the Authority's Sewer Operation were $1.92 million which is a $35 thousand or 1.85% increase from 2018, which is mainly attributable to a rate increase on septage revenue.

- The Authority's Sewer operating expenses increased by $182 thousand to $1.63 million compared to 2018, a increase of 12.57%. The increase is attributable to the repairs and maintenance on equipment and infrastructure and rising health costs. The increase is also attributable to management reevaluating the amount of time dedicated to different job duties. This re-evaluation resulted in 70% of operation salaries being charged to Sewer, an increase from the 55% charged in prior years.

- The Sewer Operation had a positive change in Net Position of $220 thousand to $3.61 million. This is mainly the result of timing difference between capital outlay and depreciation expense. The Authority is beginning a $1.50 million Sewer Pump Station project.

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

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS (CONTINUED)

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

				2019-2018		2018-2017	
				Increase(Decrease)		Increase(Decrease)	
	2019	2018	2017	$	%	$	%
Current Assets-Unrestricted	$ 1,537	$ 967	$ 759	$ 570	58.95%	$ 208	27.40%
Current Assets-Restricted	1,018	1,414	1,500	(396)	(28.01%)	(86)	(5.73%)
Noncurrent Assets	7,392	7,606	7,552	(214)	(2.81%)	54	0.72%
Total Assets	9,947	9,987	9,811	(40)	(0.40%)	176	1.79%
Deferred Outflows Of Resources	191	285	346	(94)	(32.98%)	(61)	(17.63%)
Current Liabilities	108	98	86	10	10.20%	12	13.95%
Current Liabilities Payable From Restricted Assets	89	288	351	(199)	(69.10%)	(63)	(17.95%)
Long-Term Liabilities	4,880	5,290	6,371	(410)	(7.75%)	(1,081)	(16.97%)
Total Liabilities	5,077	5,676	6,808	(599)	(10.55%)	(1,132)	(16.63%)
Deferred Inflows Of Resources	1,447	1,202	315	245	20.38%	887	281.59%
Net Investment in Capital Assets	4,216	4,167	3,769	49	1.18%	398	10.56%
Restricted Net Position	-	108	108	(108)	(100.00%)	-	0.00%
Unrestricted Net Position	(602)	(881)	(843)	279	(31.67%)	(38)	4.51%
Total Net Position	$ 3,614	$ 3,394	$ 3,034	$ 220	6.48%	$ 360	11.87%

The increase in total current assets is primarily a result of the net income from operations during the year. The increase in unrestricted current assets and decrease restricted current assets is primarily the net result of making the final payment on the 2014 refunding bonds, which eliminated the requirement to restrict funds for Debt Service and Debt Service Reserves, combined with the overall net income.

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

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

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

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

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS (CONTINUED)

The decrease in long-term liabilities is the result of the decrease in the principal maturities of revenue bonds, the net pension liability and the net OPEB liability.

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

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

				2019-2018 Increase(Decrease)		2018-2017 Increase(Decrease)	
	2019	2018	2017	$	%	$	%
Operating Revenue							
User Charges & Fees	$ 1,319	$ 1,324	$ 1,294	$ (5)	(0.38%)	$ 30	2.32%
Septage Fees	534	459	442	75	16.34%	17	3.85%
Other Operating	42	82	168	(40)	(48.78%)	(86)	(51.19%)
Nonoperating Revenue	27	22	11	5	22.73%	11	100.00%
Total Revenue	1,922	1,887	1,915	35	1.85%	(28)	(1.46%)
Operating Expenses							
Cost of Providing Services	1,057	889	926	168	18.90%	(37)	(4.00%)
Administrative and General	270	252	265	18	7.14%	(13)	(4.91%)
Depreciation	303	307	328	(4)	(1.30%)	(21)	(6.40%)
Non Operating Expenses							
Municipal Contribution		-	70	-			
Interest & Amortization Expense	72	79	84	(7)	(8.86%)	(5)	(5.95%)
Total Expenses	1,702	1,527	1,673	175	11.46%	(76)	(4.54%)
Change in Net Position	220	360	242	(140)	(38.89%)	118	48.76%
Beginning Net Position	3,394	3,034	2,792	360	11.87%	242	8.67%
Ending Net Position	$ 3,614	$ 3,394	$ 3,034	$ 220	6.48%	$ 360	11.87%

REVENUES AND EXPENSES – SEWER OPERATIONS

The total revenues of the Authority's Sewer Operation are approximately $1.92 million for the year ended December 31, 2019. User Charges and Fees were $1.32 million, accounting for 68.60% of total revenue. Septage Fees were $0.534 million, accounting for 27.70% of total revenue. Of the Operating Expenses, the cost of providing services, which totaled $1.06 million, increased $168 thousand from the prior year, and the administrative and general expenses, which totaled $0.270 million, increased $18 thousand from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS

Capital Assets

At the end of December 2019, the Authority's Sewer Operation had $7.39 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was $.303 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, 2019.

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

	2019	2018	2017	2019-2018 Increase(Decrease) $	2019-2018 Increase(Decrease) %	2018-2017 Increase(Decrease) $	2018-2017 Increase(Decrease) %
Land	$ 517	$ 517	$ 517	$ -	0.00%	$ -	0.00%
Treatment Plant and Facilities	5,367	5,568	5,780	(201)	(3.61%)	(212)	(3.67%)
Pumping Stations, Interceptors and Improvements	1,121	943	999	178	18.88%	(56)	(5.61%)
Machinery and Equipment	318	360	241	(42)	(11.67%)	119	49.38%
Construction in Progress	69	218	15	(149)	(68.35%)	203	1353.33%
Total	$7,392	$7,606	$7,552	$ (214)	(2.81%)	$ 54	0.72%

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

Machinery and Equipment	$ 24
Construction in Progress	89
	$ 113

The Authority plans on investing $2.65 million in capital assets over the next 6 years. The Authority's FY 2020 capital budget plans for investing another $2.34 million in the following capital projects (in thousands):

Plant Operating/Office Equipment	$ 1,600
Lines and Laterals	25
Machinery and Equipment	535
Septage Receiving Station	240
Total	$ 2,400

The Authority plans on funding those capital projects using a combination of existing cash, including reserves, 2020 revenues, and the issuance of $1.50 million in long-term debt.

CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS (CONTINUED)

Debt Administration

At December 31, 2019, the Authority's Sewer Operation had outstanding bonds payable in the amount of $3,155,670 that mature in various amounts through the year 2053 with interest rates of 2.125%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES – SEWER OPERATIONS

The budget for the year 2020 maintains the same rates for residential user charges and fees setting the rate at $545 per unit per year. In addition, commercial sewer users are billed based on flow. Budgeted connection fees for new customers remain the same at $3,500/unit.

WATER OPERATION

FINANCIAL HIGHLIGHTS – WATER OPERATIONS

- The Net Capital Assets of the Authority's Water Operation total $2.55 million, which is an decrease of $109 thousand or 4.11% from 2018. This decrease is mainly attributable to the current year depreciation of $133 thousand.

- The Total Assets of the Authority's Water Operation decreased 1.26% from the prior year to $3.38 million. The decrease was mainly attributable to the depreciation on capital assets.

- During the year, the operating revenues of the Authority's Water Operation were $782 thousand which is an increase of $45 thousand from 2018, which is mainly attributable to increased usage.

- The Authority's operating expenses were $734 thousand, which is a 14.90% decrease from 2018. The decrease is mainly attributable to management reevaluating the amount of time dedicated to different job duties. This re-evaluation resulted in 30% of operation salaries being charged to Water, down from the 45% charged in prior years.

- The total Net Position of the Authority's Water Operation increased from last year by $73 thousand due mainly to the increase in water usage that increased revenue.

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

FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)

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

	2019	2018	2017	2019-2018 Increase(Decrease) $	2019-2018 Increase(Decrease) %	2018-2017 Increase(Decrease) $	2018-2017 Increase(Decrease) %
Current Assets-Unrestricted	$ 531	$ 311	$ 458	$ 220	70.74%	$ (147)	(32.10%)
Current Assets-Restricted	300	454	349	(154)	(33.92%)	105	30.09%
Noncurrent Assets	2,544	2,653	2,773	(109)	(4.11%)	(120)	(4.33%)
Total Assets	3,375	3,418	3,580	(43)	(1.26%)	(162)	(4.53%)
Deferred Outflows of Resources	191	231	280	(40)	(17.32%)	(49)	(17.50%)
Current Liabilities	58	58	53	-	0.00%	5	9.43%
Current Liabilities Payable From Restricted Assets	3	90	116	(87)	(96.67%)	(26)	(22.41%)
Long-Term Liabilities	1,563	1,722	2,454	(159)	(9.23%)	(732)	(29.83%)
Total Liabilities	1,624	1,870	2,623	(246)	(13.16%)	(753)	(28.71%)
Deferred Inflows of Resources	1,053	963	321	90	9.35%	642	200.00%
Net Investment in Capital Assets	2,544	2,567	2,579	(23)	(0.90%)	(12)	(0.47%)
Restricted Net Position	-	42	42	(42)		-	
Unrestricted Net Position (Deficit)	(1,655)	(1,793)	(1,705)	138	(7.70%)	(88)	5.16%
Total Net Position	$ 889	$ 816	$ 916	$ 73	8.95%	$ (100)	(10.92%)

Total current assets increased $66 thousand, mainly due to the current year net income of $73 thousand.

The decrease in noncurrent assets is due to the decrease in net capital assets which is the net result of depreciation being greater than asset acquisitions. The increase in unrestricted current assets and the decrease in restricted current assets is primarily the net result of making the final payment on the 2014 refunding bonds, which eliminated the requirement to restrict funds for Debt Service and Debt Service Reserves, combined with the overall net income.

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

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

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

FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)

The decrease in long-term liabilities is the result of the decrease in the principal maturities of revenue bonds, the net pension liability and the net OPEB liability.

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)

				2019-2018		2018-2017	
				Increase(Decrease)		Increase(Decrease)	
	2019	2018	2017	$	%	$	%
Operating Revenue							
User Charges & Fees	$ 759	$ 716	$ 716	$ 43	6.01%	$ -	0.00%
Other Operating	23	21	21	2	9.52%	-	0.00%
Nonoperating Revenue	27	30	32	(3)	(10.00%)	(2)	(6.25%)
Total Revenue	809	767	769	42	5.48%	(2)	(0.26%)
Operating Expenses							
Cost of Providing Services	395	505	531	(110)	(21.78%)	(26)	(4.90%)
Administrative and General	206	227	203	(21)	(9.25%)	24	11.82%
Depreciation	133	131	131	2	1.53%	-	0.00%
Non Operating Expense							
Municipal Contribution		-	40	-	n/a	(40)	n/a
Interest, Amortization and Debt Issue Costs	2	4	5	(2)	(50.00%)	(1)	(20.00%)
Total Expenses	736	867	910	(131)	(15.11%)	(43)	(4.73%)
Change in Net Position	73	(100)	(141)	173	(173.00%)	41	29.08%
Beginning Net Position	816	916	1,057	(100)	(10.92%)	(141)	(13.34%)
Ending Net Position	$ 889	$ 816	$ 916	$ 73	8.95%	$ (100)	(10.92%)

REVENUES AND EXPENSES – WATER OPERATIONS

The total revenues of the Authority's Water Operation are approximately $809 thousand for the year ended December 31, 2019. User Charges and Fees were $759 thousand, accounting for 93.80% of total revenue. Of the Operating Expenses, the cost of providing services, which totaled $395 thousand, decreased $110 thousand from the prior year, and the administrative and general expenses, which totaled $206 thousand, decreased $21 thousand from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION – WATER OPERATIONS

Capital Assets

At the end of December 2019, the Authority's Water Operation had $2.54 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was $133 thousand.

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, 2019.

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

				2019-2018 Increase(Decrease)		2018-2017 Increase(Decrease)	
	2019	**2018**	**2017**	**$**	**%**	**$**	**%**
Land	$ 35	$ 35	$ 35	$ -	-	$ -	-
Water Distribution System	2,326	2,439	2,553	(113)	(4.63%)	(114)	(4.47%)
Machinery and Equipment	183	179	185	4	2.23%	(6)	(3.24%)
Total	$ 2,544	$ 2,653	$ 2,773	$ (109)	(4.11%)	$ (120)	(4.33%)

Not including depreciation, there were no additions/reductions to capital assets this year

The Authority plans on investing $1.14 million in capital assets over the next 6 years. The Authority's FY 2020 capital budget plans for investing another $40 thousand in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	$ 25
Water Lines and Distribution	15
Total	$ 40

The Authority plans on funding those capital projects using existing cash reserves and 2020 revenue.

Debt Administration

At December 31, 2019, the Authority's Water Operation had no outstanding bond issues payable. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES – WATER OPERATIONS

The budget for the year 2020 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

EXHIBIT A

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS - UNRESTRICTED:		
Cash	$ 1,682,588	$ 939,618
Accounts Receivable, Net of Allowance for Doubtful Accounts	317,568	261,658
Inventory	53,484	54,541
Other Receivables	14,267	21,524
Total Current Assets - Unrestricted	2,067,907	1,277,341
CURRENT ASSETS - RESTRICTED:		
Accounts Required by the General Bond Resolution:		
Cash		152,087
Other:		
Cash	1,318,357	1,716,555
Total Current Assets - Restricted	1,318,357	1,868,642
NONCURRENT ASSETS:		
Capital Assets, Net of Accumulated Depreciation	9,935,964	10,259,129
Total Noncurrent Assets	9,935,964	10,259,129
TOTAL ASSETS	13,322,228	13,405,112
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Defeasance of Debt	-	192
Deferred Amount Relating to OPEB	51,698	79,099
Deferred Amount Relating to Pensions	330,434	436,253
TOTAL DEFERRED OUTFLOWS OF RESOURCES	382,132	515,544

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	$ 67,578	$ 57,416
Accrued Liabilities	98,151	98,247
Total Current Liabilities Payable From Unrestricted Assets	165,729	155,663
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Contracts Payable	20,654	
Revenue Bonds Payable - Current Portion	65,454	369,085
Accrued Interest Payable - Bonds and Notes	745	511
Developer Escrow Liability	5,807	8,591
Total Current Liabilities Payable From Restricted Assets	92,660	378,187
LONG-TERM LIABILITIES:		
Accrued Liability Pension - Non-Current Portion	41,319	40,888
Revenue Bonds Payable - Non-Current Portion	3,090,216	3,155,670
Accrued Compensated Absences	84,722	79,188
Net OPEB Liability	1,695,833	2,117,813
Net Pension Liability	1,530,775	1,618,726
Total Long-Term Liabilities	6,442,865	7,012,285
TOTAL LIABILITIES	6,701,254	7,546,135
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	116,513	107,838
Deferred Amount Relating to OPEB	1,487,354	1,195,941
Deferred Amount Relating to Pensions	586,800	579,590
Deferred Connection Fees	309,444	281,200
TOTAL DEFERRED INFLOWS OF RESOURCES	2,500,111	2,164,569
NET POSITION:		
Net Investment in Capital Assets	6,759,640	6,734,567
Restricted:		
Bond Reserve Fund		150,000
Unrestricted (Deficit)	(2,256,645)	(2,674,615)
TOTAL NET POSITION	$ 4,502,995	$ 4,209,952

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUE:		
User Charges and Fees	$ 2,077,689	$ 2,040,540
Interest on Delinquent Accounts	48,253	42,539
Septage Fees	534,067	459,249
Connection Fees	16,548	54,012
Miscellaneous Income	799	5,620
Total Operating Revenue	2,677,356	2,601,960
OPERATING EXPENSES:		
Cost of Providing Services	1,451,297	1,393,590
Administrative and General	476,340	478,752
Depreciation	435,735	438,069
Total Operating Expenses	2,363,372	2,310,411
OPERATING INCOME	313,984	291,549
NON-OPERATING REVENUE (EXPENSES):		
Interest Income	28,110	24,355
Miscellaneous Income	25,392	27,212
Interest Expense	(74,443)	(82,731)
Total Non-Operating Revenue (Expenses)	(20,941)	(31,164)
CHANGE IN NET POSITION	293,043	260,385
NET POSITION - JANUARY 1,	4,209,952	3,949,567
NET POSITION- DECEMBER 31,	$ 4,502,995	$ 4,209,952

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

EXHIBIT C

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	$ 2,612,774	$ 2,517,435
Cash Payments to Suppliers for Goods and Services	(852,029)	(799,665)
Cash Payments for Employee Services	(1,132,135)	(1,046,336)
Other Receipts (Payments)	45,591	242,640
Net Cash Provided by Operating Activities	674,201	914,074
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Other Non-Operating Revenue	25,392	27,212
Net Cash Provided by Non-Capital Financing Activities	25,392	27,212
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(91,916)	(372,526)
Principal Paid on Bonds and Notes	(369,085)	(452,744)
Interest Paid on Bonds and Notes	(74,017)	(82,946)
Net Cash Used in Capital and Related Financing Activities	(535,018)	(908,216)
CASH FLOWS FROM INVESTING ACTIVITIES: .		
Interest Received on Investments	28,110	24,355
Net Cash Provided by Investing Activities	28,110	24,355
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,685	57,425
CASH AND CASH EQUIVALENTS - JANUARY 1,	2,808,260	2,750,835
CASH AND CASH EQUIVALENTS - DECEMBER 31,	$ 3,000,945	$ 2,808,260

CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION:

	2019	2018
Unrestricted	$ 1,682,588	$ 939,618
Accounts Required by the General Bond Resolution	-	152,087
Other Unrestricted	1,318,357	1,716,555
	$ 3,000,945	$ 2,808,260

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	$ 313,984	$ 291,549
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	435,735	438,069
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(55,910)	(9,267)
Inventory	1,057	(1,536)
Other Receivables	7,257	(11,489)
Accounts Payable	10,162	12,363
Accrued Liabilities	(96)	4,621
Accrued Compensated Absences	5,534	6,493
Developer Escrow Liability	(2,784)	(4,077)
Accrued Liabilities Related to OPEB	(421,980)	(606,469)
Accrued Liabilities Related to Pensions	(87,520)	(321,815)
Deferred Outflows Related to OPEB	27,401	(33,738)
Deferred Outflows Related to Pensions	105,819	189,720
Deferred Inflows Related to OPEB	291,413	626,960
Deferred Inflows Related to Pensions	7,210	165,308
Deferred Connection Fees	28,244	183,008
Deferred User Charges	8,675	(15,626)
Total Adjustments	360,217	622,525
Net Cash Provided by Operating Activities	$ 674,201	$ 914,074

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Financial Reporting Entity

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

Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Budgets and Budgetary Accounting

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

Cash, Cash Equivalents and Investments

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured.

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

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

Accounts Receivable

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

Inventory

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

Prepaid Expenses

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

Capital Assets

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Deferred Outflows and Deferred Inflows of Resources

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

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

The Authority reports the following as deferred outflows of resources:

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

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

The Authority reports the following as deferred inflows of resources:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For the year ended December 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial for Postemployment Benefits other than Pension.* Upon adoption, the Authority restated all prior year financial information to be in conformity with GASB Statement 75. Prior to 2018, the Authority reported postemployment benefits other than pensions in accordance with Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions.*

The Authority participates in a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. For purposes of recognizing and measuring OPEB liabilities, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Health Benefits Program and additions to/deductions from State Health Benefits Program's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

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

Allocation of Common Costs

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

Adoption of Accounting Pronouncements

For the year ended December 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement addressed accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. The cumulative effect of adopting this Statement totaled $3,247,902, and was recognized as a restatement in the prior year financial statements. All financial information in the Authority's accompanying financial statements is presented in conformity with GASB Statement 75.

For the year ended December 31, 2018, the Authority adopted GASB Statement No. 85, Omnibus 2017 (GASB 85). The objective of this Statement was to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addressed a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). While this Statement addressed implementation issues related to GASB 75, which did have a material impact on the financial statements, the adoption of this Statement had no material impact on the Authority's financial statements.

For the year ended December 31, 2018, the Authority adopted GASB Statement No. 86, Certain Debt Extinguishment Issues (GASB 86). The primary objective of this Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improved accounting and financial reporting for prepaid insurance on debt that was extinguished and notes to financial statements for debt that was defeased in substance. The adoption of this Statement had no material impact on the Authority's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncements

Becoming effective immediately upon issuance, in May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objectives of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Statement 95 postponed the implementation of GASB Statements 83, 84, 88 and 90 by one year, which would have been implemented in the current year, although no impact on the financial statements was expected. Statement 95 also delayed the implementation of Statements 89, 91, 92 and 93 by one year, which originally had future implementation years. Management is currently evaluating the impact of those Statements.

Recent Accounting Pronouncements Not Yet Effective

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB 83 was originally scheduled to be effective for periods beginning after June 15, 2018 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In January 2017, the GASB issued Statement No. 84*, Fiduciary Activities* (GASB 84). This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 was originally scheduled to be effective for periods beginning after December 15, 2018 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

Statement 88 also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement were originally scheduled to be effective for reporting periods beginning after June 15, 2018 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were originally scheduled to be effective for reporting periods beginning after December 15, 2019 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61) (GASB 90). The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement were originally scheduled to be effective for reporting periods beginning after December 15, 2018 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations (GASB 91). The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement were originally scheduled to be effective for reporting periods beginning after December 15, 2020 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of Statement 92 related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments became effective upon issuance and had no had no impact on the Authority's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

The remaining requirements of Statement No. 92 were originally scheduled to be effective for reporting periods beginning after June 15, 2020 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The primary objectives of this Statement are to address implementation issues related to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended. GASB 53 requires any government entity must eliminate hedge accounting when it renegotiates or changes critical terms of a hedge agreement, such as no longer relying on the London Interbank Offered Rate (LIBOR) when it ceases to exist in its current form at the end of 2021. The requirements of this Statement were originally scheduled to be effective for reporting periods beginning after December 31, 2021 but has been postponed one year by GASB 95 as a result of the COVID-19 pandemic. The Authority has no derivative instruments as they are prohibited by the State of New Jersey statutory requirements. As a result, management does not expect any impact of the adoption of this Statement on the Authority's financial statements.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objectives of this Statement are to guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of this Statement are as follows:

- Increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform;
- Mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and
- Enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The following restricted accounts were established by the Authority pursuant to the Loan Agreement for the Series 2014 Revenue Bonds, dated October 31, 2014 between the Authority and Capital Bank of New Jersey. On December 1, 2019, the Series 2014 Revenue Bonds Loan Agreement terminated when the Authority made the final payment on the Series 2014 Revenue Bonds. While there are no longer any legal requirements to maintain the accounts below, as of December 31, 2019, the Authority is utilizing the following accounts:

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

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

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

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

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

	2019	2018
Debt Service Reserve Requirement	$ -	$ 150,000
Debt Service Reserve Fund Cash & Equivalents Balance	-	151,614
Sufficient (Insufficient) Reserve Fund Balance	$ -	$ 1,614

NOTE 3 DETAIL NOTES - ASSETS

CASH AND CASH EQUIVALENTS

At December 31, 2019 and 2018, the carrying amount of the Authority's time and demand deposits were $1,767,777 and $1,602,133, respectively, and the bank balance of the Authority's time and demand deposits were $1,768,262 and $1,623,646, respectively.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). The Authority’s public funds in excess of the FDIC insured amounts are protected by GUDPA. As of December 31, 2019, $250,000 of the Authority’s bank balance of $1,768,262 was insured and $1,518,262 was covered under GUDPA as described above. As of December 31, 2018, $250,000 of the Authority’s bank balance of $1,623,646 was insured and $1,373,646 was covered under GUDPA as described above.

At December 31, 2019 and 2018, the Authority had $1,233,168 and $1,206,127, respectively, invested in the New Jersey Cash Management Fund (“the Fund”) which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund’s participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2019 and 2018 consists of the following:

	2019	2018
Customer Accounts Receivable:		
Sewer	$ 176,962	$ 133,902
Water	149,435	128,790
Septage Hauler Receivables	65,889	59,482
	392,286	322,174
Less: Allowance for Doubtful Accounts	(74,718)	(60,516)
Accounts Receivable, Net of Allowance for Doubtful Accounts	$ 317,568	$ 261,658

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2019 was as follows:

	Balance Jan. 1, 2019	Additions	Reductions	Balance Dec. 31, 2019
Non-Depreciable Capital Assets:				
Land	$ 551,752			$ 551,752
Construction in Progress	217,854	88,696	237,310	69,240
Total Non-Depreciable Capital Assets	769,606	88,696	237,310	620,992
Depreciable Capital Assets:				
Treatment Plant and Facilities	9,903,550			9,903,550
Pumping Stations, Interceptors and Improvements	2,646,004	237,310		2,883,314
Machinery and Equipment	2,995,189	23,874		3,019,063
Water Distribution System	5,548,271			5,548,271
Total Depreciable Capital Assets	21,093,014	261,184	-	21,354,198
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	4,335,022	201,142		4,536,164
Pumping Stations, Interceptors and Improvements	1,703,405	59,478		1,762,883
Machinery and Equipment	2,456,016	61,611		2,517,627
Water Distribution System	3,109,048	113,504		3,222,552
Total Accumulated Depreciation	11,603,491	435,735	-	12,039,226
Depreciable Capital Assets, Net	9,489,523	(174,551)	-	9,314,972
Total Capital Assets, Net	$ 10,259,129	$ (85,855)	$ 237,310	$ 9,935,964

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Capital Asset activity for the year ended December 31, 2018 was as follows:

	Balance Jan. 1, 2018	Additions	Reductions	Balance Dec. 31, 2018
Non-Depreciable Capital Assets:				
Land	$ 551,752			$ 551,752
Construction in Progress	14,588	203,266		217,854
Total Non-Depreciable Capital Assets	566,340	203,266	-	769,606
Depreciable Capital Assets:				
Treatment Plant and Facilities	9,903,550			9,903,550
Pumping Stations, Interceptors and Improvements	2,646,004			2,646,004
Machinery and Equipment	2,825,929	169,260		2,995,189
Water Distribution System	5,548,271			5,548,271
Total Depreciable Capital Assets	20,923,754	169,260	-	21,093,014
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	4,123,040	211,982		4,335,022
Pumping Stations, Interceptors and Improvements	1,647,091	56,314		1,703,405
Machinery and Equipment	2,400,045	55,971		2,456,016
Water Distribution System	2,995,246	113,802		3,109,048
Total Accumulated Depreciation	11,165,422	438,069	-	11,603,491
Depreciable Capital Assets, Net	9,758,332	(268,809)	-	9,489,523
Total Capital Assets, Net	$ 10,324,672	$ (65,543)	$ -	$ 10,259,129

Depreciation expense for the years ended December 31, 2019 and 2018 was charged to:

	2019	2018
Sewer Operations	$ 302,713	$ 307,000
Water Operations	133,022	131,069
	$ 435,735	$ 438,069

NOTE 4 DETAIL NOTES – LIABILITIES

LONG-TERM LIABILITIES

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. Eligible employees earn 5 sick days per year. The accrued liability for compensated absences at December 31, 2019 and 2018 is estimated at $84,722 and $79,188 respectively. The Authority paid $21,679 and $25,476 in sick time to employees in 2019 and 2018, respectively. As of December 31, 2019, the current portion of compensated absences expected to be paid to employees in 2020 is $19,963.

Bonds Payable

In June 2013, the Authority issued Sewer Revenue Bonds (Series 2013) to USDA Rural Development in the principal amount of $3,549,000. The proceeds were used to finance the construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. The Authority pays principal and interest on the unpaid principal balance at a rate of 2.125% per annum in equal semi-annual installments of $66,083. Payments commenced on December 28, 2013 and each June 28 and December 28 thereafter, the final installment is on June 28, 2053. The outstanding balance of the Series 2013 Revenue Bonds at December 31, 2019 and 2018 is $3,155,670 and $3,219,755, respectively.

On October 31, 2014, the Authority issued its $1,500,000 Revenue Refunding Bond to Capital Bank of New Jersey to currently refund, together with existing cash on hand, $1,555,000 of outstanding Series 2003A Bonds. The Authority paid principal and interest on the unpaid principal balance at a rate of 1.946% per annum. Payments began on December 1, 2015 and ended on December 1, 2019, in maturities ranging from $265,000 to $405,000. The outstanding balance as of December 31, 2019 and 2018 was $0 and $305,000, respectively.

The annual debt service requirements to maturity, including principal and interest, for revenue bonds payable as of December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	$ 65,454	$ 66,712	$ 132,166
2021	66,852	65,314	132,166
2022	68,280	63,886	132,166
2023	69,739	62,427	132,166
2024	71,229	60,937	132,166
2025 - 2029	379,630	281,200	660,830
2030 - 2034	421,949	238,881	660,830
2035 - 2039	468,987	191,843	660,830
2040 - 2044	521,268	139,562	660,830
2045 - 2049	579,377	81,453	660,830
2050 - 2053	442,905	19,001	461,906
Total	$ 3,155,670	$ 1,271,216	$ 4,426,886

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2019:

	Balance Dec. 31, 2018	Additions	Reductions	Balance Dec. 31, 2019	Amounts Due Within One Year
Bonds Payable:					
Series 2013 Revenue Bonds (USDA)	$ 3,219,755	$	$ 64,085	$ 3,155,670	$ 65,454
Series 2014 Revenue Bonds	305,000		305,000	-	
Total Bonds Payable	3,524,755	-	369,085	3,155,670	65,454
Other Liabilities:					
Accrued Compensated Absences	79,188	27,213	21,679	84,722	
Accrued Liability Pension	40,888	82,597	82,166	41,319	
Net OPEB Obligation	2,117,813	52,457	474,437	1,695,833	
Net Pension Liability	1,618,726	26,371	114,322	1,530,775	
Total Other Liabilities	3,856,615	188,638	692,604	3,352,649	-
Total Long-Term Liabilities	$ 7,381,370	$188,638	$1,061,689	$ 6,508,319	$ 65,454

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	Balance Dec. 31, 2017	Additions	Reductions	Balance Dec. 31, 2018	Amounts Due Within One Year
Bonds Payable:					
Series 2013 Revenue Bonds (USDA)	$ 3,282,499	$	$ 62,744	$ 3,219,755	$ 64,085
Series 2014 Revenue Bonds	695,000		390,000	305,000	305,000
Total Bonds Payable	3,977,499	-	452,744	3,524,755	369,085
Other Liabilities:					
Accrued Compensated Absences	72,695	31,969	25,476	79,188	
Accrued Liability Pension	38,658	40,888	38,658	40,888	
Net OPEB Obligation	2,724,283		606,470	2,117,813	
Net Pension Liability	1,942,771	579,590	903,635	1,618,726	
Total Other Liabilities	4,778,407	652,447	1,574,239	3,856,615	-
Total Long-Term Liabilities	$ 8,755,906	$652,447	$2,026,983	$ 7,381,370	$ 369,085

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS

PENSIONS

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by obtained from:

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

Plan Descriptions

Defined Contribution Retirement Program (DCRP) – DCRP is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least $5,000.00 annually.

Public Employees' Retirement System – PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Vesting and Benefit Provisions

Defined Contribution Retirement Program – Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Public Employees' Retirement System – The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Contributions

Defined Contribution Retirement Program – – The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, if applicable, the Authority would contribute 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. For the years ended December 31, 2019, 2018 and 2017, there were no employees participating in the DCRP.

Public Employees' Retirement System – The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, 2018 and 2017, the State's pension contribution was less than the actuarial determined amount.

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

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The additional member contribution rate was fully phased-in on July 1, 2019. The member contribution rate was 7.50% in State fiscal year 2019 and 7.34% in State fiscal year 2018. Employee contributions were $46,978, $44,958 and $41,973 for the years ended December 31, 2019, 2018, and 2017, respectively. The payroll subject to pension for the Authority's employees covered by PERS was $626,372, $605,878 and $577,348 for the years ended December 31, 2019, 2018, and 2017, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The Authority's required annual contributions to the PERS were $82,673, $81,775 and $77,315 for the years ended December 31, 2019, 2018 and 2017, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2019, 2018 and 2017 was 13.19, 13.50% and 13.39%, respectively.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS

At December 31, 2019 and 2018, the Authority reported a liability of $1,530,775 and $1,618,726, respectively for its proportionate share of the net pension liability. The net pension liability at December 31, 2019 and 2018 were measured as of June 30, 2019 and 2018, respectively. The total pension liability used to calculate the net pension liability on June 30, 2019 and 2018 was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Authority's proportion share of, and change of, the net pension liability is as follows:

Measurement Date	Allocation	Measurement Date	Allocation
June 30, 2019	0.0084955832%	June 30, 2018	0.0082212600%
June 30, 2018	0.0082212600%	June 30, 2017	0.0083458082%
Change	0.0002743232%	Change	-0.0001245482%

At December 31, 2019 and 2018, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ 27,475	$ 6,762	$ 30,869	$ 8,347
Changes of Assumptions	152,854	531,327	266,739	517,582
Net Difference between Projected and Actual Earnings on Pension Plan Investments		24,164		15,184
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	108,786	24,547	97,757	38,477
Authority Contributions Subsequent to the Measurement Date	41,319		40,888	
	$ 330,434	$ 586,800	$ 436,253	$ 579,590

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Continued)

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	-	5.00

Deferred outflows of resources related to pensions in the amount of $41,319 and $40,888 will be included as a reduction of the net pension liability in the year ending December 31, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2020 and April 1, 2019 contractually required contribution. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page:

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Continued)

Year Ending Dec 31,	
2020	$ (34,452)
2021	(111,763)
2022	(99,798)
2023	(46,860)
2024	(4,812)
2025	-
	$ (297,685)

Actuarial Assumptions

The total pension liability for the June 30, 2019 and 2018 measurement dates were determined by actuarial valuations as of July 1, 2018 and 2017, respectively, which were rolled forward to June 30, 2019 and 2018, respectively.

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

	June 30, 2019	June 30, 2018
Inflation Rate		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00%-6.00% Based on Years of Service	1.65%-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2011 - June 30, 2014

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

For the June 30, 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and 7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018 are summarized in the table on the following page:

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

	June 30, 2019		June 30, 2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	3.00%	4.67%	5.00%	5.51%
Buyouts/Venture Capital			8.25%	13.08%
Cash	5.00%	2.00%	5.50%	1.00%
Private Credit	6.00%	7.92%		
Real Assets	2.50%	9.31%		
Private Equity	12.00%	10.85%		
Credit Oriented Hedge Funds			1.00%	6.60%
Debt Related Private Equity			2.00%	10.63%
Debt Related Real Estate			1.00%	6.61%
Emerging Market Equities	6.50%	11.37%	6.50%	11.64%
Equity Related Real Estate			6.25%	9.23%
Global Diversified Credit			5.00%	7.10%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
Non-U.S. Developed Markets E	12.50%	9.00%	11.50%	9.00%
Private Real Estate	7.50%	8.33%	2.50%	11.83%
Public High Yield Bonds	2.00%	5.37%	2.50%	6.82%
U.S. Equity	28.00%	8.26%	30.00%	8.19%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00%, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% and 50% of the actuarial determined contributions as of June 30, 2019 and 2018, respectively. The local employers contributed 100% of their actuarially required contributions for both June 30, 2019 and 2018. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return of plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

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

The following presents the Authority's proportionate share of the net pension liability at June 30, 2019 and 2018, respectively, calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	June 30, 2019		
	1% Decrease 5.28%	Current Discount Rate 6.28%	1% Increase 7.28%
Authority's Proportionate Share of the Net Pension Liability	$ 1,933,618	$ 1,530,775	$ 1,191,323

	June 30, 2018		
	1% Decrease 4.66%	Current Discount Rate 5.66%	1% Increase 6.66%
Authority's Proportionate Share of the Net Pension Liability	$ 2,035,360	$ 1,618,726	$ 1,269,195

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided – The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the Plan), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

The Plan provides medical and prescription drug benefit coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

Contributions – The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The Authority is billed monthly by the Plan and paid $41,074, $86,735 and $89,787 for the years ended December 31, 2019, 2018 and 2017, respectively. The Plan payments represent 6.56%, 15.02% and 16.21% of the Authority's covered payroll for the years ended December 31, 2019, 2018 and 2017, respectively. Retirees did not contribute to the plan for the fiscal years ended June 30, 2019, 2018 nor 2017.

OPEB Liability

At December 31, 2019 and 2018, the Authority's proportionate share of the net OPEB liability was $1,695,833 and $2,117,813, respectively. The net OPEB liability at December 31, 2019 and 2018 were measured as of June 30, 2019 and 2018, respectively. The total OPEB liability used to calculate the net OPEB liability on June 30, 2019 and 2018 was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively which were rolled forward to June 30, 2019 and 2018, respectively.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liability (Continued)

The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2018 through June 30, 2019. The Authority's proportion share of, and change of, the net OPEB liability was as follows:

Measurement Date	Allocation	Measurement Date	Allocation
June 30, 2019	0.0125190000%	June 30, 2018	0.0135180000%
June 30, 2018	0.0135180000%	June 30, 2017	0.0133440000%
Change	-0.0009990000%	Change	0.0001740000%

OPEB Expense

At December 31, 2019, the Authority's proportionate share of the OPEB refund, calculated by the Plan as of the June 30, 2019 measurement date is ($77,140), which is prior to the recording of deferred outflows of resources that arise from contributions made subsequent to the measurement date. As previously mentioned, for the year ended June 30, 2019, the Authority made contributions to the Plan totaling $41,074.

At December 31, 2018, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2018 measurement date is $49,402, which is prior to the recording of deferred outflows of resources that arise from contributions made subsequent to the measurement date. As previously mentioned, for the year ended June 30, 2018, the Authority made contributions to the Plan totaling $86,735.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019 and 2018, respectively, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability as shown in the sources on the following page:

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	2019		2018	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ -	$ 495,928	$ -	$429,992
Changes of Assumptions		600,965		537,211
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,397		1,119	
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	29,764	390,461	34,612	228,738
Authority Contributions Subsequent to the Measurement Date	20,537		43,368	
	$ 51,698	$ 1,487,354	$ 79,099	$ 1,195,941

The Authority reported $20,537 and $43,368 as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date which will be included as a reduction of the Authority's net OPEB liability in the year ending December 31, 2020 and 2019, respectively. The Authority will amortize the above other deferred outflows of resources and deferred inflows of resources related to the OPEB liability over the number of years on the following page:

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience		
Year of OPEB Plan Deferral:		
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Year Ending Dec 31,	
2020	$ 226,364
2021	226,365
2022	226,474
2023	226,651
2024	234,254
Thereafter	316,085
	$ 1,456,193

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2019 and 2018 used the following actuarial assumptions, applied to all periods in the measurement:

	June 30, 2019	June 30, 2018
Inflation	2.50%	2.50%
Salary Increases*:	Through 2026	Through 2026
	2.00% - 6.00%	1.65% - 8.98%
	2027 and Thereafter	2027 and Thereafter
	3.00% - 7.00%	2.65% - 9.98%

* The June 30, 2019 assumptions for salary increases are based on years of service in the respective plan. The June 30, 2018 assumptions for salary increases were based on the plan the member is enrolled in and his or her age.

For the June 30, 2019 measurement date, mortality rates were based on Pub-2010. General classification headcount weighted mortality with fully generational morality improvement projections from the central year using Scale MP-2019.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PERS experience study prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under the Police and Firemen Retirement System (PFRS) plan and the Public Employees' Retirement System (PERS) plan. The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively. 100% of active members are considered to participate in the Plan upon retirement.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

The State Health Benefits Local Government Retired Employees Plan follows the same investment plan allocation and expected rate of return as PERS and PFRS. For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2019 and 2018 are summarized in the table below.

	June 30, 2019		June 30, 2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	3.00%	4.67%	5.00%	5.51%
Buyouts/Venture Capital			8.25%	13.08%
Cash	5.00%	2.00%	5.50%	1.00%
Private Credit	6.00%	7.92%		
Real Assets	2.50%	9.31%		
Private Equity	12.00%	10.85%		
Credit Oriented Hedge Funds			1.00%	6.60%
Debt Related Private Equity			2.00%	10.63%
Debt Related Real Estate			1.00%	6.61%
Emerging Market Equities	6.50%	11.37%	6.50%	11.64%
Equity Related Real Estate			6.25%	9.23%
Global Diversified Credit			5.00%	7.10%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Private Real Estate	7.50%	8.33%	2.50%	11.83%
Public High Yield Bonds	2.00%	5.37%	2.50%	6.82%
US Equity	28.00%	8.26%	30.00%	8.19%
US Treasuries	5.00%	2.68%	3.00%	1.87%
	100.00%		100.00%	

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

Discount Rate – The discount rate used to measure the OPEB Liability at June 30, 2019 and 2018 were 3.50% and 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions – For the June 30, 2019 measurement date, the trend rate for pre-Medicare medical benefits is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for year 2020 are reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years.

For the June 30, 2018 measurement date, the trend rate for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Advantage trend rate is 4.5% and will continue in all future years.

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The net OPEB liability as of June 30, 2019 and 2018, the plans measurement dates, for the Authority and the State of New Jersey, calculated using a discount rate of 3.50% for June 30, 2019 and 3.87% for June 30, 2018, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	June 30, 2019		
	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Authority's Proportionate Share of the Net OPEB Liability	$ 1,960,814	$ 1,695,833	$ 1,480,500

	June 30, 2018		
	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Authority's Proportionate Share of the Net OPEB Liability	$ 2,484,755	$ 2,117,813	$ 1,824,710

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The Authority's and State's proportionate share of the net OPEB Liability as of June 30, 2019 and 2018, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	$ 1,431,074	$ 1,695,833	$ 2,033,577

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	$ 1,766,596	$ 2,117,813	$ 2,572,341

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at the following website:

https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

NOTE 6 DETAILED NOTES – NET POSITION

UNRESTRICTED NET POSITION

The unrestricted net position as of December 31, 2019 and 2018 is comprised of the following:

	2019		2018	
	Sewer	Water	Sewer	Water
Total Unrestricted Net Position (Deficit) - (GAAP)	$ (601,837)	$(1,654,808)	$(881,016)	$(1,793,599)
Cumulative Effect of the Pension Liability and Related Items (GASB 68)	1,059,771	851,326	1,041,311	843,415
Cumulative Effect of the OPEB Liability and Related Items (GASB 75)	1,714,931	1,416,558	1,787,147	1,447,508
Total Unrestricted Net Position (Budgetary Basis)	2,172,865	613,076	1,947,442	497,324
Less:				
Designated for Renewal and Replacement	1,014,812	297,738	814,812	231,611
Designated for Operating Budget	153,022	26,737	237,139	238,097
Total Unrestricted and Undesignated (Budgetary Basis)	$1,005,031	$ 288,601	$ 895,491	$ 27,616

Designated Net Position

The Authority has a GAAP basis unrestricted net position (deficit) of $(2,256,645) and $(2,674,615) as of December 31, 2019 and 2018, respectively. As shown in the previous chart, the Authority also had a budgetary basis unrestricted net position of $2,785,941 and $2,444,766 as of December 31, 2019 and 2018, respectively.

The Authority has, by resolution, designated a portion of its Budgetary Basis Unrestricted Net Position as of December 31, 2019 and 2018 for the following purposes:

Renewal and Replacement – As of December 31, 2019 and 2018, the Authority has designated $1,014,812 and $814,812, respectively for sewer capital improvements. As of December 31, 2019 and 2018, the Authority has designated $297,738 and $231,611, respectively for water capital improvements.

Subsequent Year's Budget – As of December 31, 2019 and 2018, the Authority has designated $153,022 and $237,139, respectively for the subsequent year's Sewer operating budgets. As of December 31, 2019 and 2018, the Authority has designated $26,737 and $238,097, respectively for the subsequent year's Water operating budgets.

NOTE 7 RISK MANAGEMENT

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

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

The JIF provides its own financial report for the year ended December 31, 2019, which can be obtained from:

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

NOTE 8 SUBSEQUENT EVENTS

In 2019, the Authority was approved to enter into the New Jersey Infrastructure Bank (NJIB) loan program for the rehabilitation of a pump station. An initial interest free short term loan for a planning and design allowance in the amount of $98,000 was approved by the NJIB. As of December 31, 2019, the Authority incurred $69,240 in expenses that are recorded as construction in progress. During 2020, the Authority submitted reimbursements for the design and allowance expenditures and recorded a temporary loan in that amount. In 2020, the NJIB approved a total project cost and short term, interest free loan in the amount of $1,500,000. The Authority anticipates awarding a construction contract for the pump station rehabilitation in early 2021. Upon completion of the project, the NJIB will convert the total draw downs on the $1,500,000 short term loan into a 20 year Long Term Loan with fixed interest rates.

The management of the Authority has evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the Authority. While the impact that COVID-19 will have is currently expected to be temporary, and Management does not currently expect the impact to be material in nature, as of the date of the financial statements, the related financial impact and duration cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BOROUGH OF BUENA MUNICPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION - PART II
SCHEDULES OF PROPORTIONATE SHARE, EMPLOYER CONTRIBUTIONS AND NOTES
STATE OF NEW JERSEY PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

	2019	2018	2017	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.0084955832%	0.0082212600%	0.0083458082%	0.0082018428%	0.0074659329%	0.0077315763%	0.0074885905%
Authority's Proportionate Share of the Net Pension Liability	$ 1,530,775	$ 1,618,726	$ 1,942,771	$ 2,429,151	$ 1,675,952	$ 1,447,563	$ 1,431,218
Authority's Covered-Employee Payroll	$ 603,716	$ 577,348	$ 578,192	$ 562,176	$ 515,000	$ 534,684	$ 516,568
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	253.56%	280.37%	336.01%	432.10%	325.43%	270.73%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 82,637	$ 81,775	$ 77,315	$ 72,864	$ 64,187	$ 63,738	$ 56,425
Contributions in Relation to the Contractually Required Contribution	(82,637)	(81,775)	(77,315)	(72,864)	(64,187)	(63,738)	(56,425)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered-Employee Payroll	$ 626,372	$ 605,878	$ 577,348	$ 553,785	$ 562,615	$ 527,578	$ 534,684
Contributions as a Percentage of Authority's Covered-Employee Payroll	13.19%	13.50%	13.39%	13.16%	11.41%	12.08%	10.55%

Notes to Required Supplementary Information

Changes in Benefit Terms - There were no significant changes in benefits for the July 1, 2018, July 1, 2017 and 2016 actuarial valuations.

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

2019	2018	2017	2016	2015	2014	2013
6.28%	5.66%	5.00%	3.98%	4.90%	5.39%	5.55%

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

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION
PART III

BOROUGH OF BUENA MUNICPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION - PART III
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND NOTES
STATE OF NEW JERSEY HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

Schedule of Proportionate Share of Net OPEB Liability at June 30 (measurement date)

	2019	2018	2017	2016
Authority's Proportion of the Net OPEB Liability	0.0125190000%	0.0135180000%	0.0133440000%	0.0147460000%
Authority's Proportionate Share of the Net OPEB Liability	$ 1,695,833	$ 2,117,813	$ 2,724,283	$ 3,202,457
Authority's Covered-Employee Payroll (Plan Measurement Period)	$ 603,716	$ 577,348	$ 578,192	$ 562,176
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	280.90%	366.82%	471.17%	569.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.97%	1.03%	0.69%

Schedule of Employer Contributions

	2019	2018	2017	2016
Contractually Required Contribution	$ 41,074	$ 86,735	$ 89,787	$ 62,537
Contributions in Relation to the Contractually Required Contribution	(41,074)	(86,735)	(89,787)	(62,537)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Authority's Covered-Employee Payroll	$ 626,372	$ 577,348	$ 553,785	$ 562,176
Contributions as a Percentage of Authority's Covered-Employee Payroll	6.56%	15.02%	16.21%	11.12%

Notes to Required Supplementary Information

Changes in Benefit Terms - There were no significant changes in benefits for the July 1, 2018, July 1, 2017 and 2016 actuarial valuations.

Changes in Assumptions -

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2019	2018	2017	2018
3.50%	3.87%	3.58%	2.85%

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

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	SEWER OPERATION				WATER OPERATION				TOTAL	
			UNRESTRICTED				UNRESTRICTED			
	NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNDESIGNATED	DESIGNATED	NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNDESIGNATED	DESIGNATED	2019 (MEMO)	2018 (MEMO)
OPERATING REVENUE:										
User Charges	$	$	$ 1,318,726	$	$	$	$ 758,963	$	$2,077,689	$2,040,540
Interest on Delinquent Accounts			31,893				16,360		48,253	42,539
Septage Fees			534,067				-		534,067	459,249
Connection Fees			10,500				6,048		16,548	54,012
Miscellaneous Income			-				799		799	5,620
	-	-	1,895,186	-	-	-	782,170	-	2,677,356	2,601,960
OPERATING EXPENSES:										
Cost of Providing Services			1,057,009				394,288		1,451,297	1,393,590
Administrative and General			270,109				206,231		476,340	478,752
Depreciation	302,713		-		133,022		-		435,735	438,069
	302,713	-	1,327,118	-	133,022	-	600,519	-	2,363,372	2,310,411
OPERATING INCOME (LOSS)	(302,713)	-	568,068	-	(133,022)	-	181,651	-	313,984	291,549
NON-OPERATING REVENUE (EXPENSES):										
Interest Income			27,042				1,068		28,110	24,355
Miscellaneous Income			-		12,136		13,256		25,392	27,212
Interest Expense	(138)		(72,732)		(54)		(1,519)		(74,443)	(82,731)
	(138)	-	(45,690)	-	12,082	-	12,805	-	(20,941)	(31,164)
INCOME (LOSS) BEFORE TRANSFERS	(302,851)	-	522,378	-	(120,940)	-	194,456	-	293,043	260,385
TRANSFERS	351,199	(108,000)	(359,082)	115,883	97,665	(42,000)	89,568	(145,233)	-	-
INCREASE (DECREASE) IN NET POSITION	48,348	(108,000)	163,296	115,883	(23,275)	(42,000)	284,024	(145,233)	293,043	260,385
NET POSITION - JANUARY 1,	4,167,173	108,000	(1,932,967)	1,051,951	2,567,394	42,000	(2,263,307)	469,708	4,209,952	3,949,567
NET POSITION - DECEMBER 31,	$ 4,215,521	$ -	$ (1,769,671)	$ 1,167,834	$ 2,544,119	$ -	$ (1,979,283)	$ 324,475	$4,502,995	$4,209,952
UNRESTRICTED NET POSITION (DEFICIT)-UNDESIGNATED										
Cumulative Effect of the Pension Liability (GASB 68)			$ (1,059,771)				$ (851,326)			
Cumulative Effect of the OPEB Liability (GASB 75)			(1,714,931)				(1,416,558)			
Before GASB 68 and 75 Related Items			1,005,031				288,601			
			$ (1,769,671)				$ (1,979,283)			

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2019 AND 2018

	2019			2018		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
ASSETS:						
CURRENT ASSETS - UNRESTRICTED:						
Cash	$ 1,298,574	$ 384,014	$ 1,682,588	$ 763,017	$ 176,601	$ 939,618
Accounts Receivable, Net of Allowance for Doubtful Accounts	196,911	120,657	317,568	156,666	104,992	261,658
Inventory	32,090	21,394	53,484	32,725	21,816	54,541
Other Receivables	9,687	4,580	14,267	14,391	7,133	21,524
Total Current Assets - Unrestricted	1,537,262	530,645	2,067,907	966,799	310,542	1,277,341
CURRENT ASSETS - RESTRICTED:						
Accounts Required by the General Bond Resolution:						
Cash			-	109,503	42,584	152,087
Other:						
Cash	1,017,715	300,642	1,318,357	1,304,786	411,769	1,716,555
Total Current Assets - Restricted	1,017,715	300,642	1,318,357	1,414,289	454,353	1,868,642
NONCURRENT ASSETS:						
Capital Assets, Net of Accumulated Depreciation	7,391,845	2,544,119	9,935,964	7,605,861	2,653,268	10,259,129
Total Noncurrent Assets	7,391,845	2,544,119	9,935,964	7,605,861	2,653,268	10,259,129
TOTAL ASSETS	9,946,822	3,375,406	13,322,228	9,986,949	3,418,163	13,405,112
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Loss on Defeasance of Debt			-	138	54	192
Deferred Amount Relating to OPEB	24,521	27,177	51,698	43,702	35,397	79,099
Deferred Amount Relating to Pensions	166,956	163,478	330,434	241,030	195,223	436,253
TOTAL DEFERRED OUTFLOWS OF RESOURCES	191,477	190,655	382,132	284,870	230,674	515,544

(Continued)

SCHEDULE 2

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2019 AND 2018

	2019			2017		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
LIABILITIES:						
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:						
Accounts Payable - Operations	$ 47,789	$ 19,789	$ 67,578	$ 37,745	$ 19,671	$ 57,416
Accrued Liabilities	60,041	38,110	98,151	59,808	38,439	98,247
Total Current Liabilities Payable From Unrestricted Assets	107,830	57,899	165,729	97,553	58,110	155,663
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Contracts Payable	20,654		20,654			-
Revenue Bonds Payable - Current Portion	65,454		65,454	283,685	85,400	369,085
Accrued Interest Payable - Bonds and Notes	745		745	368	143	511
Developer Escrow Liability	2,904	2,903	5,807	4,296	4,295	8,591
Total Current Liabilities Payable From Restricted Assets	89,757	2,903	92,660	288,349	89,838	378,187
LONG-TERM LIABILITIES:						
Accrued Liability Pension - Non-Current Portion	22,892	18,427	41,319	22,591	18,297	40,888
Revenue Bonds Payable - Non-Current Portion	3,090,216		3,090,216	3,155,670		3,155,670
Accrued Compensated Absences	59,305	25,417	84,722	47,513	31,675	79,188
Net OPEB Liability	874,706	821,127	1,695,833	1,170,092	947,721	2,117,813
Net Pension Liability	832,781	697,994	1,530,775	894,346	724,380	1,618,726
Total Long-Term Liabilities	4,879,900	1,562,965	6,442,865	5,290,212	1,722,073	7,012,285
TOTAL LIABILITIES	5,077,487	1,623,767	6,701,254	5,676,114	1,870,021	7,546,135
DEFERRED INFLOWS OF RESOURCES:						
Deferred Revenue	10,592	105,921	116,513	2,048	105,790	107,838
Deferred Amount Relating to OPEB	864,746	622,608	1,487,354	660,757	535,184	1,195,941
Deferred Amount Relating to Pensions	325,270	261,530	586,800	320,223	259,367	579,590
Deferred Connection Fees	246,520	62,924	309,444	218,520	62,680	281,200
TOTAL DEFERRED INFLOWS OF RESOURCES	1,447,128	1,052,983	2,500,111	1,201,548	963,021	2,164,569
NET POSITION:						
Net Investment in Capital Assets	4,215,521	2,544,119	6,759,640	4,167,173	2,567,394	6,734,567
Restricted:						
Bond Reserve Fund			-	108,000	42,000	150,000
Unrestricted (Deficit)	(601,837)	(1,654,808)	(2,256,645)	(881,016)	(1,793,599)	(2,674,615)
TOTAL NET POSITION	$ 3,613,684	$ 889,311	$ 4,502,995	$ 3,394,157	$ 815,795	$ 4,209,952

SCHEDULE 3

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
OPERATING REVENUE:						
User Charges and Fees	$ 1,318,726	$ 758,963	$ 2,077,689	$ 1,324,151	$ 716,389	$ 2,040,540
Interest on Delinquent Accounts	31,893	16,360	48,253	28,836	13,703	42,539
Septage Fees	534,067		534,067	459,249		459,249
Connection Fees	10,500	6,048	16,548	52,500	1,512	54,012
Miscellaneous Income	-	799	799	423	5,197	5,620
Total Operating Revenue	1,895,186	782,170	2,677,356	1,865,159	736,801	2,601,960
OPERATING EXPENSES:						
Cost of Providing Services	1,057,009	394,288	1,451,297	888,795	504,795	1,393,590
Administrative and General	270,109	206,231	476,340	251,912	226,840	478,752
Depreciation	302,713	133,022	435,735	307,000	131,069	438,069
Total Operating Expenses	1,629,831	733,541	2,363,372	1,447,707	862,704	2,310,411
OPERATING INCOME (LOSS)	265,355	48,629	313,984	417,452	(125,903)	291,549
NON-OPERATING REVENUE (EXPENSES):						
Interest Income	27,042	1,068	28,110	21,725	2,630	24,355
Municipal Appropriation to Borough of Buena						-
Miscellaneous Income		25,392	25,392		27,212	27,212
Interest Expense	(72,870)	(1,573)	(74,443)	(78,812)	(3,919)	(82,731)
Total Non-Operating Revenue (Expenses)	(45,828)	24,887	(20,941)	(57,087)	25,923	(31,164)
CHANGE IN NET POSITION	219,527	73,516	293,043	360,365	(99,980)	260,385
NET POSITION - BEGINNING	3,394,157	815,795	4,209,952	3,033,792	915,775	3,949,567
NET POSITION- DECEMBER 31,	$ 3,613,684	$ 889,311	$ 4,502,995	$ 3,394,157	$ 815,795	$ 4,209,952

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	SEWER OPERATIONS			WATER OPERATIONS		
	2019 BUDGET	2019 ACTUAL	2018 ACTUAL	2019 BUDGET	2019 ACTUAL	2018 ACTUAL
REVENUE:						
User Charges and Fees	$ 1,300,500	$ 1,327,948	$ 1,324,151	$ 710,000	$ 763,943	$ 716,389
Interest on Delinquent Accounts	25,000	31,893	28,836	12,000	16,360	13,703
Connection Fees	17,500	10,500	52,500	3,780	6,048	1,512
Septage Fees	250,000	534,067	459,249			
Miscellaneous Operating Income	1,000		423	2,000	799	5,197
Miscellaneous Non-Operating Income				25,000	25,392	27,212
Interest on Investments	5,000	27,042	21,725	1,000	1,068	2,630
Total Revenue	1,599,000	1,931,450	1,886,884	753,780	813,610	766,643
EXPENSES:						
Costs of Providing Services:						
Salaries and Wages	312,370	401,832	311,556	235,930	172,214	238,348
Employee Benefits	194,543	189,547	140,227	142,210	88,539	103,526
Automotive Expenses	10,000	8,750	10,912	10,000	7,039	6,805
Office Supplies - Plant	3,000	2,460	1,964	1,000	1,093	545
Operating Supplies	138,500	175,906	154,147	56,000	32,602	11,137
Utilities	161,000	142,077	153,020	80,000	83,515	118,089
Repairs and Maintenance	125,000	119,893	86,550	20,000	13,770	8,046
Laboratory Supplies	8,000	9,023	8,252	4,000	3,113	2,547
Laboratory Testing	15,000	28,495	11,323	4,000	6,260	3,842
General Expense		22,031		1,000	2,500	
Public Water Tax				2,000	2,074	1,378
	967,413	1,100,014	877,951	556,140	412,719	494,263
Administrative and General Expenses:						
Salaries and Wages	74,710	68,211	66,658	74,710	67,467	66,370
Employee Benefits	39,977	36,115	73,066	39,965	36,087	73,044
Office Supplies and Expenses	8,000	7,063	6,737	7,000	7,062	6,673
Computer Expense	10,000	7,007	5,433	10,000	11,407	9,235
Professional Services	111,000	103,527	35,508	79,000	53,434	29,707
Insurance	27,000	21,222	23,865	20,000	12,793	15,910
Postage/Billing	6,000	3,860	3,539	6,000	3,674	3,862
Telephone	5,000	5,732	5,301	6,000	5,732	5,301
Education	5,000		5,010	5,000	3,825	4,587
Legal Advertising	1,000	1,041	1,030	1,000	610	728
Licenses, Fees, Permits and Assessments	25,000	27,082	23,066	10,000	8,748	9,237
	312,687	280,860	249,213	258,675	210,839	224,654
Interest Expense	72,354	72,732	78,497	1,662	1,519	3,796

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	SEWER OPERATIONS			WATER OPERATIONS		
	2019 BUDGET	2019 ACTUAL	2018 ACTUAL	2019 BUDGET	2019 ACTUAL	2018 ACTUAL
OTHER COSTS FUNDED BY REVENUES:						
Principal Maturities	$ 283,685	$ 283,685	$ 343,544	$ 85,400	$ 85,400	$ 109,200
Renewal and Replacement Reserves	200,000	200,000	200,000	90,000	90,000	90,000
	483,685	483,685	543,544	175,400	175,400	199,200
TOTAL COSTS FUNDED BY REVENUES	1,836,139	1,937,291	1,749,205	991,877	800,477	921,913
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	$ (237,139)	(5,841)	137,679	$ (238,097)	13,133	(155,270)
Reconciliation of Budgetary Basis to Change in Net Position						
Adjustments to Budgetary Basis:						
Principal Maturities		283,685	343,544		85,400	109,200
Other Reserves		200,000	200,000		90,000	90,000
Depreciation		(302,713)	(307,000)		(133,022)	(131,069)
Change in Allowance for Doubtful Accounts		(9,222)	(48)		(4,980)	(1,787)
Amortization Charged to Interest Expense		(138)	(315)		(54)	(123)
OPEB Expense - Difference Between GAAP vs. Budgetary:						
Administrative and General Expenses		14,443	1,464		6,190	1,186
Cost of Providing Services		57,773	5,855		24,760	4,742
Pension Expense - Difference Between GAAP vs. Budgetary:						
Administrative and General Expenses		(3,692)	(4,163)		(1,582)	(3,372)
Cost of Providing Services		(14,768)	(16,651)		(6,329)	(13,487)
CHANGE IN NET POSITION PER SCHEDULE 3		$ 219,527	$ 360,365		$ 73,516	$ (99,980)

SCHEDULE 4A

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF RECONCILIATION OF BUDGETARY REVENUES AND COSTS FUNDED BY REVENUES TO CHANGE IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES OVER (UNDER) COSTS		
FUNDED BY REVENUES (BUDGETARY BASIS):		
Sewer Operations	$ (5,841)	$ 137,679
Water Operations	13,133	(155,270)
	7,292	(17,591)
Increased By:		
Principal Maturities	369,085	452,744
Other Reserves	290,000	290,000
Change in Allowance for Doubtful Accounts	(14,202)	(1,835)
	652,175	723,318
Reduced By:		
Depreciation	(435,735)	(438,069)
Amortization Charged to Interest Expense	(192)	(438)
OPEB Expense - Difference Between GAAP vs. Budgetary:		
Administrative and General Expenses	20,633	2,650
Cost of Providing Services	82,533	10,597
Pension Expense - Difference Between GAAP vs. Budgetary:		
Administrative and General Expenses	(5,274)	(7,535)
Cost of Providing Services	(21,097)	(30,138)
CHANGE IN NET POSITION PER EXHIBIT B	$ 293,043	$ 260,385

SCHEDULE 5

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2013
DECEMBER 31, 2019

ORIGINAL		MATURITIES			BALANCE			BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2019	ISSUED 2019	PAID 2019	DECEMBER 31, 2019
6/28/2013	$ 3,549,000	2.125%	2020	$ 65,454	$ 3,219,755	$ -	$ 64,085	$ 3,155,670
			2021	66,852				
			2022	68,281				
			2023	69,739				
			2024	71,229				
			2025	72,750				
			2026	74,305				
			2027	75,892				
			2028	77,513				
			2029	79,169				
			2030	80,861				
			2031	82,588				
			2032	84,352				
			2033	86,154				
			2034	87,995				
			2035	89,875				
			2036	91,795				
			2037	93,755				
			2038	95,758				
			2039	97,804				
			2040	99,894				
			2041	102,027				
			2042	104,207				
			2043	106,433				
			2044	108,707				
			2045	111,029				
			2046	113,401				
			2047	115,824				
			2048	118,298				
			2049	120,825				
			2050	123,406				
			2051	126,042				
			2052	128,736				
			2053	64,720				
					$ 3,219,755	$ -	$ 64,085	$ 3,155,670

SCHEDULE 6

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE REFUNDING BONDS PAYABLE - SERIES 2014
DECEMBER 31, 2019

ORIGINAL		MATURITIES			BALANCE		PRINCIPAL	BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2019	ISSUED 2019	MATURITIES 2019	DECEMBER 31, 2019
10/31/2014	$ 1,500,000	1.946%	12/1/2019	$ 305,000	$ 305,000	$ -	$ 305,000	$ -

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS

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

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

Other Officials

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

Surety Company

New Jersey Utility Authorities Joint Insurance Fund

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019

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

None noted.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019

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

No prior year findings noted.