

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2015 AND 2014



*Borough of Buena
Municipal Utilities Authority*



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TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Financial Statements and Supplementary Information	1
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Required Supplementary Information Part I: Management's Discussion and Analysis	6
 <u>EXHIBIT</u>	
BASIC FINANCIAL STATEMENTS:	
A Comparative Statements of Net Position	15
B Comparative Statements of Revenues, Expenses and Changes in Net Position	17
C Comparative Statements of Cash Flows	18
Notes to Financial Statements	20
Required Supplementary Information Part II: Schedules Related to Accounting and Reporting for Pensions (GASB 68)	42
 <u>SCHEDULE</u>	
SUPPLEMENTARY INFORMATION:	
1 Schedule of Revenues, Expenses and Changes in Net Position – Restricted and Unrestricted	43
2 Comparative Schedules of Net Position	44
3 Comparative Schedules of Revenues, Expenses and Changes in Net Position	46
4 Schedule of Revenues and Costs Funded by Revenues Compared to Budget – Budgetary Basis	47
5 Schedule of Revenue Bonds Payable – Series 2013	49
6 Schedule of Revenue Refunding Bonds Payable – Series 2014	50
Roster of Officials	51
Findings and Recommendations	52
Status of Prior-Year Findings Recommendations	53

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Borough of Buena Municipal Utilities Authority as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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, 2015 and 2014, 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.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in Note 1 to the financial statements, during the fiscal year ended December 31, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 71, net position as of January 1, 2014 on the statement of revenues, expenses and changes in net position has been restated, as discussed in Note 7 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

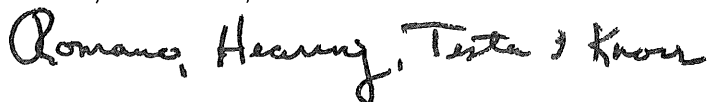
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Buena Municipal Utilities Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in cursive script that reads "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

October 12, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Buena Municipal Utilities Authority as of and for the years ended December 31, 2015 and 2014, 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 October 12, 2016. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

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 purposes 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control.

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

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

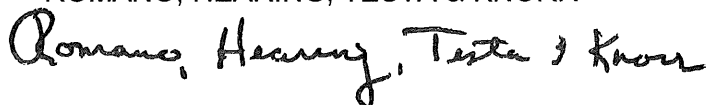
Compliance and Other Matters

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

A handwritten signature in cursive script that reads "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

October 12, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Buena Municipal Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2015. 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 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial reporting for Pensions – an amendment of GASB Statement No. 27 (GASB 68)* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (GASB 71)*. As a result of the implementation of GASB 68 and 71, beginning unrestricted net position as of January 1, 2014, was decreased by \$1.459 million. The notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and 71 and the effects to the financial statements.

REQUIRED FINANCIAL STATEMENTS

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

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

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

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 OPERATIONS

- The Net Capital Assets of the Authority's Sewer Operation total \$8.0 million, which is a \$0.170 million or 2.109% decrease from 2014.
- The Total Assets of the Authority's Sewer Operation remained at \$9.72 million in 2015.
- During the year, the operating revenues of the Authority's Sewer Operation were \$1.64 million which is a \$.074 million or 4.73% increase from 2014 and its operating expenses increased by \$.073 million to \$1.36 million compared to 2014, an increase of 5.59%.

The total net position of the Authority's Sewer Operation increased from last year by \$0.198 million. The analysis below focuses on the Sewer Operation's net position (Table 1A) and changes in net position (Table 2A) during the year.

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

	(Dollars in thousands)						
				2015-2014		2014-2013	
	2014	2014 (Restated)	2013*	Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Current Assets-Unrestricted	\$ 565	\$ 563	\$ 618	\$ 2	0.35%	\$ (55)	(8.90%)
Current Assets-Restricted	1,172	1,004	1,416	168	16.73%	(412)	(29.10%)
Noncurrent Assets	7,985	8,156	8,458	(171)	(2.10%)	(302)	(3.57%)
Total Assets	9,722	9,723	10,492	(1)	(0.01%)	(769)	(7.33%)
Deferred Outflows							
Of Resources	158	67	20	91	135.82%	47	235.00%
Current Liabilities	73	66	55	7	10.61%	11	20.00%
Current Liabilities Payable							
From Restricted Assets	255	256	610	(1)	(0.39%)	(354)	(58.03%)
Long-Term Liabilities	5,031	5,147	4,897	(116)	(2.25%)	250	5.11%
Total Liabilities	5,359	5,469	5,562	(110)	(2.05%)	(93)	(1.67%)
Deferred Inflows							
Of Resources	217	215	132	2	0.93%	83	62.88%
Net Investment in							
Capital Assets	3,691	3,612	3,607	79	2.19%	5	0.14%
Restricted Net Position			468	-		(468)	(100.00%)
Unrestricted Net Position	613	494	743	119	24.09%	(249)	(33.51%)
Total Net Position	\$ 4,304	\$ 4,106	\$ 4,818	\$ 198	4.60%	\$ (712)	(14.78%)

* 2013 has not been restated to comply with GASB 68. See Notes to the financial statements.

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

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

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

The increase in current liabilities payable from unrestricted assets is the net result of increases in accounts payable and the decrease in accrued liabilities.

The decrease in current liabilities payable from restricted assets is the net result of decreases in accrued interest payable and increase in the current portion of revenue bonds payable.

The decrease in long-term liabilities is the net result of the decrease in the principal maturities of revenue bonds, with the increases in accrued compensation and net pension liability

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

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

				2015-2014		2014-2013*	
	2015	2014 (Restated)	2013*	Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 1,270	\$ 1,258	\$ 1,264	\$ 12	0.95%	\$ (6)	(0.47%)
Septage Fees	342	278	227	64	23.02%	51	22.47%
Other Operating	30	32	34	(2)	(6.25%)	(2)	(5.88%)
Nonoperating Revenue	12	11	17	1	9.09%	(6)	(35.29%)
Total Revenue	1,654	1,579	1,542	75	4.75%	37	2.40%
Operating Expenses							
Cost of Providing Services	810	720	764	90	12.50%	(44)	(5.76%)
Administrative and General	231	239	192	(8)	(3.35%)	47	24.48%
Depreciation	321	330	256	(9)	(2.73%)	74	28.91%
Non Operating Expense							
Int, Amort, Loss on Extinguishment of Debt & Debt Issue Costs	94	196	154	(102)	(52.04%)	42	27.27%
Total Expenses	1,456	1,485	1,366	(29)	(1.95%)	119	8.71%
Capital Contributions			942	-		(942)	
Change in Net Position	198	94	1,118	104	110.64%	(1,024)	(91.59%)
Beginning Net Position	4,106	4,818	3,700	(712)	(14.78%)	1,118	30.22%
Cumulative Effect of Change in Accounting Principle		(806)		806		(806)	
Beginning Net Position (As Restated)	4,106	4,012	3,700	94	2.34%	312	8.43%
Ending Net Position	<u>\$ 4,304</u>	<u>\$ 4,106</u>	<u>\$ 4,818</u>	<u>\$ 198</u>	4.82%	<u>\$ (712)</u>	(14.78%)

*2013 has not been restated to comply with GASB 68. See Notes to the financial statements.

REVENUES AND EXPENSES

The total revenues of the Authority's Sewer Operation are approximately \$1.64 million for the year ended December 31, 2015. User Charges and Fees were \$1.27 million, accounting for 77% of total revenue. Septage Fees were \$.342 million, accounting for 21% of total revenue. Operating expenses include cost of providing services, which totaled \$.810 million, an increase of \$.090 million from the prior year, and administrative and general expenses of \$.231 million, a \$.009 million decrease compared to last year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2015, the Authority's Sewer Operation had \$8 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$.321 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, 2015.

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

	2015	2014	2013	2015-2014		2014-2013	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Land	\$ 486	\$ 486	\$ 486	\$ -	0.00%	\$ -	0.00%
Treatment Plant and Facilities	6,192	6,373	6,582	(181)	(2.84%)	(209)	(3.18%)
Pumping Stations and Interceptors and Improvements	1,112	1,168	1,224	(56)	(4.79%)	(56)	(4.58%)
Machinery and Equipment	180	113	151	67	59.29%	(38)	(25.17%)
Construction in Progress	15	15	15	-	0.00%	-	0.00%
Total	<u>\$ 7,985</u>	<u>\$8,155</u>	<u>\$8,458</u>	<u>\$ (170)</u>	<u>(2.08%)</u>	<u>\$ (303)</u>	<u>(3.58%)</u>

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

Treatment Plant and Facilities	\$ 50
Machinery and Equipment	100
	<u>\$ 150</u>

The Authority's FY 2016 capital budget plans for investing another \$0.593 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 223
Lines and Laterals	315
Purchase Property	55
Total	<u>\$ 593</u>

The Authority plans on funding those capital projects using a combination of existing cash, including reserves and year 2016 revenue.

Debt Administration

At December 31, 2015, the Authority's Sewer Operation had several outstanding bonds payable in the amount of \$4,293,279 that mature in various amounts through the year 2053 with interest rates ranging from 1.946% to 2.125%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The budget for the year 2016 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 OPERATIONS

- The Net Capital Assets of the Authority's Water Operation total \$2.8 million, which is a (\$.022) million or .80% decrease from 2014.
- The Total Assets of the Authority's Water Operation decreased 1.59% from the prior year to \$3.8 million.
- During the year, the operating revenues of the Authority's Water Operation were \$.786 million which is a \$.0214 million or 3.00% increase from 2014 and operating expenses were \$.810 million, which is a 4.64% increase from 2014.

The total net position of the Authority's Water Operation increased from last year by \$.003 million. The analysis below focuses on the Water Operation's net position (Table 1B) and changes in net position (Table 2B) during the year.

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

	(Dollars in thousands)						
				2015-2014		2014-2013*	
	2015	2014 (Restated)	2013*	Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Current Assets-Unrestricted	\$ 760	\$ 889	\$ 688	\$ (129)	(14.51%)	\$ 201	29.22%
Current Assets-Restricted	277	188	404	89	47.34%	(216)	(53.47%)
Noncurrent Assets	2,770	2,792	2,918	(22)	(0.79%)	(126)	(4.32%)
Total Assets	3,807	3,869	4,010	(62)	(1.60%)	(141)	(3.52%)
Deferred Outflows of Resources	128	53	7	75	141.51%	46	657.14%
Current Liabilities	32	35	23	(3)	(8.57%)	12	52.17%
Current Liabilities Payable							
From Restricted Assets	75	76	140	(1)	(1.32%)	(64)	(45.71%)
Long-Term Liabilities	1,066	1,037	467	29	2.80%	570	122.06%
Total Liabilities	1,173	1,148	630	25	2.18%	518	82.22%
Deferred Inflows of Resources	162	171	136	(9)	(5.26%)	35	25.74%
Net Investment in Capital Assets	2,424	2,373	2,505	51	2.15%	(132)	(5.27%)
Restricted Net Position			228	-		(228)	
Unrestricted Net Position	176	230	518	(54)	(23.48%)	(288)	(55.60%)
Total Net Position	\$ 2,600	\$ 2,603	\$ 3,251	\$ (3)	(0.12%)	\$ (648)	(19.93%)

*2013 has not been restated to comply with GASB 68. See Notes to the financial statements.

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

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

The decrease in current liabilities payable from unrestricted assets is the net result of a decrease in accounts payable and an increase in accrued liabilities. The decrease in current liabilities payable from restricted assets is the result of a decrease in the accrued interest payable.

The decrease in deferred outflows of resources is the result of a decreases in deferred amount relating to pensions and deferred connection fees.

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

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)

				2015-2014		2014-2013*	
	2015	2014 (Restated)	2013*	Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 756	\$ 742	\$ 713	\$ 14	1.89%	\$ 29	4.07%
Other Operating	29	21	27	8	38.10%	(6)	(22.22%)
Nonoperating Revenue	30	51	47	(21)	(41.18%)	4	8.51%
Total Revenue	815	814	787	1	0.12%	27	3.43%
Operating Expenses							
Cost of Providing Services	471	426	432	45	10.56%	(6)	(1.39%)
Administrative and General	216	222	177	(6)	(2.70%)	45	25.42%
Depreciation	123	126	129	(3)	(2.38%)	(3)	(2.33%)
Non Operating Expense							
Interest, Amortization							
and Debt Issue Costs	8	35	30	(27)	(77.14%)	5	16.67%
Total Expenses	818	809	768	9	1.11%	41	5.34%
Change in Net Position	(3)	5	19	(8)	(160.00%)	(14)	73.68%
Beginning Net Position	2,603	3,251	3,232	(648)	(19.93%)	19	0.59%
Cumulative Effect of Change in Accounting Principle		(653)		653	(100.00%)	(653)	
Beginning Net Position (As Restated)	2,603	2,598	3,232	5	0.19%	(634)	(19.62%)
Ending Net Position	\$ 2,600	\$ 2,603	\$ 3,251	\$ (3)	(0.12%)	\$ (648)	(19.93%)

*2013 has not been restated to comply with GASB 68. See Notes to the financial statements.

REVENUES AND EXPENSES

The total revenues of the Authority's Water Operation are approximately \$.82 million for the year ended December 31, 2015. User Charges and Fees were \$.76 million, accounting for 93% of total revenue. Operating expenses include cost of providing services, which totaled \$.471 million, a \$.045 million increase, and administrative and general expenses of \$.216 million, an \$.006 million decrease.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2015, the Authority's Water Operation had \$2.77 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$.123 million.

The following tables summarize the capital assets of the Authority's Water Operation, net of accumulated depreciation, and changes therein, for the year ended December 31, 2015.

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

			2015-2014		2014-2013	
	2014	2014	2013	Increase(Decrease)	Increase(Decrease)	
				\$	%	\$
						%
Land	\$ 4	\$ 4	\$ 4	\$ -	-	\$ -
Water Distribution System	2,660	2,777	2,896	(117)	(4.21%)	(119)
Machinery and Equipment	106	11	18	95	863.64%	(7)
Total	<u>\$ 2,770</u>	<u>\$ 2,792</u>	<u>\$ 2,918</u>	<u>\$ (22)</u>	(0.79%)	<u>\$ (126)</u>

The Authority's FY 2016 capital budget plans for investing another \$.118 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 103
Other Budgeted Capital	15
Total	<u>\$ 118</u>

The Authority plans on funding those capital projects using existing cash, including reserves and 2016 revenue.

Debt Administration

At December 31, 2015, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$345,800 that matures in various amounts through the year 2019 with interest rates of 1.946%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The budget for the year 2016 maintains the same rates for user charges and fees and connection fees for new customers.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014 (Restated)</u>
ASSETS		
CURRENT ASSETS - UNRESTRICTED:		
Cash	\$ 976,143	\$ 1,121,967
Accounts Receivable	271,245	275,758
Inventory	52,966	51,437
Due from Vendor	10,035	
Prepaid Expenses	13,916	2,744
Total Current Assets - Unrestricted	<u>1,324,305</u>	<u>1,451,906</u>
CURRENT ASSETS - RESTRICTED:		
Accounts Required by the General Bond Resolution:		
Cash	150,556	150,030
Other:		
Cash	1,299,226	1,041,931
Total Current Assets - Restricted	<u>1,449,782</u>	<u>1,191,961</u>
NONCURRENT ASSETS:		
Capital Assets, Net	10,754,432	10,947,657
Total Noncurrent Assets	<u>10,754,432</u>	<u>10,947,657</u>
TOTAL ASSETS	<u>13,528,519</u>	<u>13,591,524</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Defeasance of Debt	2,142	3,048
Deferred Amount Relating to Pensions	284,077	116,840
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>286,219</u>	<u>119,888</u>

(Continued)

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014 (Restated)
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 25,186	\$ 21,166
Accrued Liabilities	80,232	79,946
Total Current Liabilities Payable From Unrestricted Assets	<u>105,418</u>	<u>101,112</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Revenue Bonds Payable - Current Portion	325,147	323,889
Accrued Interest Payable - Bonds and Notes	2,070	5,798
Developer Escrow Liability	2,262	2,260
Total Current Liabilities Payable From Restricted Assets	<u>329,479</u>	<u>331,947</u>
LONG-TERM LIABILITIES:		
Accrued Liability Pension - Non-Current Portion	32,094	32,094
Revenue Bonds Payable - Non-Current Portion	4,313,932	4,639,079
Accrued Compensated Absences	74,795	64,967
Net Pension Liability	1,675,952	1,447,563
Total Long-Term Liabilities	<u>6,096,773</u>	<u>6,183,703</u>
TOTAL LIABILITIES	<u>6,531,670</u>	<u>6,616,762</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	107,195	107,133
Deferred Amount Relating to Pensions	69,142	86,267
Deferred Connection Fees	202,812	192,453
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>379,149</u>	<u>385,853</u>
NET POSITION:		
Net Investment in Capital Assets	6,115,355	5,984,695
Unrestricted	788,564	724,102
TOTAL NET POSITION	<u>\$ 6,903,919</u>	<u>\$ 6,708,797</u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u> <i>(Restated)</i>
OPERATING REVENUE:		
User Charges and Fees	\$ 2,025,975	\$ 1,999,715
Interest on Delinquent Accounts	45,066	50,397
Septage Fees	341,663	278,463
Miscellaneous Income	14,556	1,548
Total Operating Revenue	<u>2,427,260</u>	<u>2,330,123</u>
OPERATING EXPENSES:		
Cost of Providing Services	1,280,452	1,145,878
Administrative and General	446,895	461,754
Depreciation	444,387	456,089
Total Operating Expenses	<u>2,171,734</u>	<u>2,063,721</u>
OPERATING INCOME	<u>255,526</u>	<u>266,402</u>
NON-OPERATING REVENUE (EXPENSES):		
Connection Fees	12,152	17,304
Interest Income	4,211	2,256
Miscellaneous Income	25,392	43,537
Interest Expense	(102,159)	(178,163)
Loss on Early Extinguishment of Debt		(15,128)
Debt Issue Costs Incurred		(37,397)
Total Non-Operating Revenue (Expenses)	<u>(60,404)</u>	<u>(167,591)</u>
CHANGE IN NET POSITION	195,122	98,811
NET POSITION - JANUARY 1,	6,708,797	8,069,416
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		<u>(1,459,430)</u>
NET POSITION - BEGINNING (AS RESTATED)	<u>6,708,797</u>	<u>6,609,986</u>
NET POSITION- DECEMBER 31,	<u>\$ 6,903,919</u>	<u>\$ 6,708,797</u>

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 2,417,283	\$ 2,307,179
Cash Payments to Suppliers for Goods and Services	(750,202)	(718,663)
Cash Payments for Employee Services	(921,204)	(871,419)
Other Receipts (Payments)	(17,286)	(2,382)
Net Cash Provided by Operating Activities	728,591	714,715
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Other Non-Operating Revenue and Expenses	25,392	43,538
Net Cash Provided by Non-Capital Financing Activities	25,392	43,538
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(239,839)	(37,763)
Connection Fees Received	22,512	48,664
Proceeds from Issuance of Revenue Refunding Bonds		1,500,000
Debt Issuance Costs Paid		(37,397)
Loss on Early Extinguishment of Debt		(15,128)
Principal Paid on Bonds and Notes	(323,889)	(2,241,237)
Interest Paid on Bonds and Notes	(104,981)	(156,416)
Net Cash Used in Capital and Related Financing Activities	(646,197)	(939,277)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	4,211	3,335
Proceeds from Maturities of Investment Securities		1,440,000
Purchase of Investment Securities		(720,000)
Net Cash Provided by Investing Activities	4,211	723,335
NET INCREASE IN CASH AND CASH EQUIVALENTS	111,997	542,311
CASH AND CASH EQUIVALENTS - JANUARY 1,	2,313,928	1,771,617
CASH AND CASH EQUIVALENTS - DECEMBER 31,	\$ 2,425,925	\$ 2,313,928

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u> <i>(Restated)</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 255,526	\$ 266,402
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	444,387	456,089
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	4,513	(22,697)
Inventory	(1,529)	405
Due from Vendor	(10,035)	
Prepaid Expense	11,172	(2,744)
Accounts Payable	4,020	(13,029)
Accrued Liabilities	286	36,455
Accrued Compensated Absences	9,828	(5,876)
Developer Escrow Liability	2	3
Deferred User Charges	10,421	(293)
Total Adjustments	<u>473,065</u>	<u>448,313</u>
Net Cash Provided by Operating Activities	<u><u>\$ 728,591</u></u>	<u><u>\$ 714,715</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Financial Reporting Entity

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

Basis of Presentation

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

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, water supply and septage fees. The Authority also recognizes interest on delinquent customer accounts and certain types of miscellaneous income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgets and Budgetary Accounting

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

Cash, Cash Equivalents and Investments

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

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

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

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

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

Accounts Receivable

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

Inventory

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

Prepaid Expenses

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

Capital Assets

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

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

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 is required to report the following as deferred outflows of resources and deferred inflows of resources:

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

Deferred Amount on Refunding – The deferred amount on refunding is recorded as a deferred outflow of resources. It is amortized over the shorter of the remaining life of the old debt or new debt based upon the interest method as a component of interest expense.

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.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other than Pensions

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

The Authority records its other postemployment benefits cost (expense) based on billings from the New Jersey State Health Benefits Program. Required financial statement disclosures are included in Note 4.

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.

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

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Note disclosures and required supplementary information requirements about pensions are also addressed.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncements (Continued)

The Authority also adopted GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow or resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The provisions of GASB Statements No. 68 and No. 71 have been applied to the beginning of the 2014 net position and the 2014 financial statements have been restated. As a result of the implementation of GASB 68 and 71, beginning unrestricted net position as of January 1, 2014, was decreased by \$1,459,430. See Note 7 for a reconciliation of the 2014 amounts as previously reported to the total restated amounts.

Recent Accounting Pronouncements not Yet Effective

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 will be effective for periods beginning after June 15, 2015. Management is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 will be effective for periods beginning after June 15, 2016. Management is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB 74 will be effective for periods beginning after June 15, 2016. Management does not expect this statement will have an impact on the financial statements.

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements not Yet Effective (Continued)

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 will be effective for periods beginning after June 15, 2015. Management is evaluating the impact of this new statement.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition of pension liabilities, expense, and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contribution terms; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. GASB 78 will be effective for periods beginning after December 15, 2015. Management is evaluating the impact of this new statement.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Management does not expect this statement will have an impact on the notes to the financial statements.

Subsequent Events

Management has evaluated subsequent events through October 12, 2016 the date the financial statements were available for issue.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Authority has established the following restricted accounts:

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

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

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

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

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

		Debt Service Reserve
Required Amount	\$	150,000
Cash and Cash Equivalents		150,556
	\$	<u>556</u>

NOTE 3 DETAIL NOTES - ASSETS

CASH AND CASH EQUIVALENTS

At December 31, 2015 the carrying amount and bank balance of the Authority's time and demand deposits were \$1,625,842 and \$1,659,817, 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, 2015, \$250,000 of the Authority's bank balance of \$1,659,817 was insured and \$1,409,817 was covered under GUDPA as described above.

At December 31, 2015 the Authority had \$800,083 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2015 and 2014 consists of the following:

Customer Accounts Receivable:		2015		2014
Sewer	\$	158,311	\$	162,062
Water		137,492		145,705
Septage Hauler Receivables		40,974		35,549
		<u>336,777</u>		<u>343,316</u>
Less: Allowance for Doubtful Accounts		65,532		67,558
	\$	<u>271,245</u>	\$	<u>275,758</u>

CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2015 was as follows:

	Balance Jan. 1, 2015	Additions	Reductions	Balance Dec. 31, 2015
Non-Depreciable Capital Assets:				
Land	\$ 489,752	\$	\$	\$ 489,752
Construction in Progress	<u>14,588</u>			<u>14,588</u>
Total Non-Depreciable Capital Assets	<u>504,340</u>	-	-	<u>504,340</u>
Depreciable Capital Assets:				
Treatment Plant and Facilities	9,806,674	50,204		9,856,878
Pumping Stations, Interceptors and Improvements	2,646,004			-
Machinery and Equipment	2,537,013	200,958		2,737,971
Water Distribution System	<u>5,434,661</u>			<u>5,434,661</u>
Total Depreciable Capital Assets	<u>20,424,352</u>	<u>251,162</u>	-	<u>20,675,514</u>
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	3,433,342	231,729		3,665,071
Pumping Stations, Interceptors and Improvements	1,478,149	56,314		1,534,463
Machinery and Equipment	2,412,208	38,730		2,450,938
Water Distribution System	<u>2,657,336</u>	<u>117,614</u>		<u>2,774,950</u>
Total Accumulated Depreciation	<u>9,981,035</u>	<u>444,387</u>	-	<u>10,425,422</u>
Depreciable Capital Assets, Net	<u>10,443,317</u>	<u>(193,225)</u>	-	<u>10,250,092</u>
Total Capital Assets, Net	<u>\$ 10,947,657</u>	<u>\$ (193,225)</u>	<u>\$ -</u>	<u>\$ 10,754,432</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Depreciation expense for the years ended December 31, 2015 and 2014 was charged to:

	<u>2015</u>		<u>2014</u>
Sewer Operation	\$ 321,463	\$	330,359
Water Operation	<u>122,924</u>		<u>125,730</u>
	\$ <u>444,387</u>	\$	<u>456,089</u>

NOTE 4 DETAIL NOTES – LIABILITIES

LONG-TERM DEBT

Bonds Payable

At December 31, 2015, bonds payable consisted of the following:

In June 2013, the Authority issued Sewer Revenue Bonds (Series 2013) to USDA Rural Development in the principal amount of \$3,549,000. The proceeds were used to finance the construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. The Authority will pay principal and interest on the unpaid principal balance at a rate of 2.125% per annum in equal semi-annual installments of \$66,083, commencing on December 28, 2013 and each June 28 and December 28 thereafter, and one final installment on June 28, 2053. The outstanding balance of the Series 2013 Revenue Bonds at December 31, 2015 and 2014 is \$3,404,079 and \$3,462,968, respectively.

On October 31, 2014, the Authority issued its \$1,500,000 Revenue Refunding Bond to Capital Bank of New Jersey to currently refund, together with existing cash on hand, \$1,555,000 of outstanding Series 2003A Bonds. The Authority will pay principal and interest on the unpaid principal balance at a rate of 1.946% per annum beginning December 1, 2015 through 2019 in maturities ranging from \$265,000 to \$405,000. The outstanding balance of the Series 2014 Revenue Refunding Bonds at December 31, 2015 and 2014 is \$1,235,000 and \$1,500,000, respectively.

Compensated Absences

Current policy allows employees who retire from the Authority via PERS will be reimbursed for fifty percent (50%) of accrued sick leave up to a maximum of \$12,000, calculated at the then current rate. The accrued liability for compensated absences at December 31, 2015 and 2014 is estimated at \$74,795 and \$64,967 respectively.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

	Balance Jan. 1, 2015 (Restated)	Additions	Reductions	Balance Dec. 31, 2015	Amounts Due Within One Year
Bonds Payable:					
Series 2013 Revenue Bonds (USDA)	\$ 3,462,968	\$	\$ 58,889	\$ 3,404,079	\$ 60,147
Series 2014 Revenue Bonds	1,500,000		265,000	1,235,000	265,000
Total Bonds Payable	4,962,968	-	323,889	4,639,079	325,147
Other Liabilities:					
Accrued Compensated Absences	64,967	9,828		74,795	
Accrued Liability Pension	32,094			32,094	
Net Pension Liability	1,447,563	228,389		1,675,952	
Total Other Liabilities	1,544,624	238,217	-	1,782,841	-
Total Long-Term Liabilities	\$ 6,507,592	\$ 238,217	\$ 323,889	\$ 6,421,920	\$ 325,147

The annual debt service requirements to maturity, including principal and interest, for revenue bonds payable as of December 31, 2015 are as follows:

Year Ending December 31.	Principal	Interest	Total
2016	\$ 325,147	\$ 98,062	\$ 423,209
2017	336,432	89,610	426,042
2018	452,744	82,947	535,691
2019	369,085	74,016	443,101
2020	65,454	66,712	132,166
2021-2025	348,851	311,979	660,830
2026-2030	387,740	273,090	660,830
2031-2035	430,964	229,866	660,830
2036-2040	479,006	181,824	660,830
2041-2045	532,404	128,425	660,829
2046-2050	591,755	69,075	660,830
2051-2053	319,497	10,242	329,739
Total	\$ 4,639,079	\$ 1,615,848	\$ 6,254,927

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

PENSIONS

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

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at:

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier Definition

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

PENSIONS (CONTINUED)

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. Employee contributions were \$39,326, \$37,700 and \$35,877 for the years ended December 31, 2015, 2014, and 2013, respectively. The payroll subject to pension for the Authority's employees covered by PERS was \$562,615, \$527,578 and \$534,684 for the years ended December 31, 2015, 2014 and 2013, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The Authority's required annual contributions to the PERS were \$64,187, \$63,738 and \$56,425 for the years ended December 31, 2015, 2014, and 2013, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2015, 2014 and 2013 was 11.41%, 12.08% and 10.55%, respectively.

At December 31, 2015, the Authority reported a liability of \$1,675,952 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. At June 30, 2015, the Authority's proportion was 0.0074659329%, which was an increase of 0.0002656434% from its proportion measured as of June 30, 2014.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

PENSIONS (CONTINUED)

At December 31, 2015 and 2014, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2015		2014	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between Expected and Actual Experience	\$ 39,982	\$	\$	\$
Changes of Assumptions	179,984		45,519	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		26,946		86,267
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	32,017	42,196	39,228	
Authority Contributions Subsequent to the Measurement Date	32,094		32,093	
Total	\$ <u>284,077</u>	\$ <u>69,142</u>	\$ <u>116,840</u>	\$ <u>86,267</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

PENSIONS (CONTINUED)

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

	<u>Deferred Outflow Of Resources</u>	<u>Deferred Inflow Of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
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
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72

Deferred outflows of resources related to pensions in the amount of \$32,094 will be included as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	
2016	\$ 33,513
2017	33,513
2018	33,514
2019	55,078
2020	27,223
	<u>\$ 182,841</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2015 and 2014 measurement dates were determined by actuarial valuations as of July 1, 2014 and 2013, respectively, which were rolled forward to June 30, 2015 and 2014, respectively.

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

	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15% - 4.40% Based on Age	2.15% - 4.40% Based on Age
Thereafter	3.15% - 5.40% Based on Age	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience:		
Study upon which Actuarial Assumptions were Based	July 1, 2008 – June 30, 2011	July 1, 2008 – June 30, 2011

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015 and 2014) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

	2015		2014	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	6.00%	.80%
Core Bonds	-	-	1.00%	2.49%
U.S. Treasuries	1.75%	1.64%	-	-
Intermediate-Term Bonds	-	-	11.20%	2.26%
Investment Grade Credit	10.00%	1.79%	-	-
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds / Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%	-	-
REIT	4.25%	5.12%	-	-
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

PENSIONS (CONTINUED)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability at June 30, 2015 and 2014, 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:

2015			
	At 1% decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
Authority's Proportionate Share of the Net Pension Liability	\$ <u>2,083,004</u>	\$ <u>1,675,952</u>	\$ <u>1,334,683</u>
2014			
	At 1% decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
Authority's Proportionate Share of the Net Pension Liability	\$ <u>1,821,083</u>	\$ <u>1,447,563</u>	\$ <u>1,133,900</u>

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014**

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

<http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2015.pdf>

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

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

The Authority contributions to SHBP for retirees for the years ended December 31, 2015, 2014, and 2013, were \$49,319, \$44,228, and \$35,193, respectively, which equaled the required contributions for each year. There were 5 retired participants eligible at December 31, 2015 and 2014 and 4 retired participants in 2013.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 5 DETAILED NOTES – NET POSITION

UNRESTRICTED NET POSITION

Designated Net Position

The Authority has, by resolution, designated a portion of its Unrestricted Net Position. As of December 31, 2015 and 2014, the Authority had unrestricted designated net position balances of \$1,229,079 and \$1,092,079 respectively.

The unrestricted net position-designated for subsequent year's expenditures at December 31, 2015 and 2014 has been appropriated and included as anticipated revenue in the Authority's 2016 and 2015 budgets respectively.

Unrestricted/Undesignated Net Position

The balance of unrestricted net position as of December 31, 2015 and 2014 is comprised of the following:

	2015		2014	
	Sewer	Water	Sewer	Water
Unrestricted and Undesignated	\$ 526,081	\$ 590,702	\$ 442,419	\$ 702,426
Amount Related to Pensions (GASB 68 and 71)	(860,470)	(696,828)	(835,835)	(676,987)
Designated for Equipment Renewal and Replacement	508,843	39,521	494,526	50,000
Designated for Subsequent Year's Expenditures	330,475	200,240	284,823	112,730
Designated for Debt Service	108,000	42,000	108,000	42,000
Total Unrestricted Net Position	\$ <u>612,929</u>	\$ <u>175,635</u>	\$ <u>493,933</u>	\$ <u>230,169</u>

NOTE 6 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 RESTATEMENT OF PRIOR PERIOD NET POSITION

As indicated in Note 1 to the financial statements, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, for the fiscal year ended December 31, 2015. As a result of implementing these two Statements, a restatement of the January 1, 2014 unrestricted net position was required to record the Authority's proportionate share of its net pension liability.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014**

NOTE 7 RESTATEMENT OF PRIOR PERIOD NET POSITION (CONTINUED)

The cumulative effect on the financial statements as reported as of January 1, 2014, is as follows:

	Net Position As Previously Reported January 1, 2014	<u>GASB 68 and 71 Implementation</u>				Net Position As Restated January 1, 2014
		Deferred Outflows	Accounts Payable and Accrued Expenses	Net Pension Liability	Deferred Inflows	
Net Investment in Capital Assets	\$ 6,111,947	\$	\$	\$	\$	\$ 6,111,947
Restricted	696,349					696,349
Unrestricted	<u>1,261,120</u>	<u>31,869</u>	<u>(60,081)</u>	<u>(1,431,218)</u>	<u>-</u>	<u>(198,310)</u>
	<u>\$ 8,069,416</u>	<u>\$ 31,869</u>	<u>\$ (60,081)</u>	<u>\$ (1,431,218)</u>	<u>\$ -</u>	<u>\$ 6,609,986</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 7 RESTATEMENT OF PRIOR PERIOD NET POSITION (CONTINUED)

Reconciliation of the 2014 amounts as previously reported to the total restated amounts:

Summary Statement of Net Position			
	2014 Amounts as Previously Reported	Adjustments	2014 Amounts as Restated
Assets			
Current Assets	\$ 2,643,867	\$ -	\$ 2,643,867.00
Noncurrent Assets	10,947,657		10,947,657
Total Assets	13,591,524	-	13,591,524
Deferred Outflows of Resources			
Deferred Loss on Defeasance of Debt	3,048		3,048
Deferred Amount Relating to Pensions		116,840	116,840
Total Deferred Outflows of Resources	3,048	116,840	119,888
Liabilities			
Current Liabilities	401,161	31,898	433,059
Noncurrent Liabilities	4,704,046	1,479,657	6,183,703
Total Liabilities	5,105,207	1,511,555	6,616,762
Deferred Inflows of Resources			
Deferred User Charge Revenue	107,133		107,133
Deferred Connection Fees Revenue	192,453		192,453
Deferred Amount Relating to Pensions		86,267	86,267
Total Deferred Inflows of Resources	299,586	86,267	385,853
Net Position			
Net Investment in Capital Assets	5,984,695		5,984,695
Unrestricted	2,205,084	(1,480,982)	724,102
Total Net Position	\$ 8,189,779	\$ (1,480,982)	\$ 6,708,797

Summary of Revenues, Expenses and Changes in Net Position			
	2014 Amounts as Previously Reported	Adjustments	2014 Amounts as Restated
Operating Revenues	\$ 2,330,123	\$ -	\$ 2,330,123
Operating Expenses	(2,042,169)	(21,552)	(2,063,721)
Non-Operating Expenses	(167,591)		(167,591)
Change in Net Position	120,363	(21,552)	98,811
Net Position January 1,	8,069,416	(1,459,430)	6,609,986
Net Position December 31,	\$ 8,189,779	\$ (1,480,982)	\$ 6,708,797

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

**BOROUGH OF BUENA MUNICIPAL 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 at June 30 (measurement date)

	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.0074659329%	0.0077315763%	0.0074885905%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,675,952	\$ 1,447,563	\$ 1,431,218
Authority's Covered-Employee Payroll	\$ 515,000	\$ 534,684	\$ 516,568
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	325.43%	270.73%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

Schedule of Employer Contributions

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

Notes

<i>Changes in Benefit Terms -</i>	There were no significant changes in benefits for the July 1, 2014 and 2013 actuarial valuation.
<i>Changes in Assumptions -</i>	The discount rate changed from 5.55% as of June 30, 2013, to 5.39% as of June 30, 2014, and to 4.90% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.
<i>Schedule Presentation -</i>	These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SUPPLEMENTARY INFORMATION

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

	SEWER OPERATION			WATER OPERATION			TOTAL	
	UNRESTRICTED			UNRESTRICTED				
	NET INVESTMENT IN CAPITAL ASSETS	UNDESIGNATED	DESIGNATED	NET INVESTMENT IN CAPITAL ASSETS	UNDESIGNATED	DESIGNATED	2015 (MEMO)	2014 (Restated) (MEMO)
OPERATING REVENUE:								
User Charges	\$	\$ 1,269,746	\$	\$	\$ 756,229	\$	\$ 2,025,975	\$ 1,999,715
Interest on Delinquent Accounts		30,133			14,933		45,066	50,397
Septage Fees		341,663					341,663	278,463
Miscellaneous Income		702			13,854		14,556	1,548
	-	1,642,244	-	-	785,016	-	2,427,260	2,330,123
OPERATING EXPENSES:								
Cost of Providing Services		809,739			470,713		1,280,452	1,145,878
Administrative and General		230,916			215,979		446,895	461,754
Depreciation		321,463			122,924		444,387	456,089
	-	1,362,118	-	-	809,616	-	2,171,734	2,063,721
OPERATING INCOME (LOSS)	-	280,126	-	-	(24,600)	-	255,526	266,402
NON-OPERATING REVENUE (EXPENSES):								
Connection Fees		8,750			3,402		12,152	17,304
Interest Income		3,097			1,114		4,211	2,256
Miscellaneous Income					25,392		25,392	43,537
Interest Expense		(94,072)			(8,087)		(102,159)	(178,163)
Loss on Early Extinguishment of Debt							-	(15,128)
Debt Issue Costs Incurred							-	(37,397)
	-	(82,225)	-	-	21,821	-	(60,404)	(167,591)
INCOME BEFORE TRANSFERS	-	197,901	-	-	(2,779)	-	195,122	98,811
TRANSFERS	78,905	(138,874)	59,969	51,755	(128,786)	77,031	-	-
INCREASE (DECREASE) IN NET POSITION	78,905	59,027	59,969	51,755	(131,565)	77,031	195,122	98,811
NET POSITION - JANUARY 1,	3,612,339	(393,416)	887,349	2,372,356	25,439	204,730	6,708,797	8,069,416
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE								(1,459,430)
NET POSITION - JANUARY 1 (AS RESTATED)	3,612,339	(393,416)	887,349	2,372,356	25,439	204,730	6,708,797	6,609,986
NET POSITION - DECEMBER 31,	<u>\$ 3,691,244</u>	<u>\$ (334,389)</u>	<u>\$ 947,318</u>	<u>\$ 2,424,111</u>	<u>\$ (106,126)</u>	<u>\$ 281,761</u>	<u>\$ 6,903,919</u>	<u>\$ 6,708,797</u>
UNRESTRICTED NET POSITION (DEFICIT)- UNDESIGNATED-								
Related to Pensions (GASB 68 and 71)		\$ (860,470)			\$ (696,828)			
Before GASB 68 and 71 Pension Related Items		526,081			590,702			
		<u>\$ (334,389)</u>			<u>\$ (106,126)</u>			

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015			2014 (Restated)		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
ASSETS						
CURRENT ASSETS - UNRESTRICTED:						
Cash	\$ 351,758	624,385	\$ 976,143	\$ 371,676	\$ 750,291	\$ 1,121,967
Accounts Receivable	161,252	109,993	271,245	159,194	116,564	275,758
Inventory	31,780	21,186	52,966	30,862	20,575	51,437
Due from Vendor	6,021	4,014	10,035			
Prepaid Expenses	13,916		13,916	1,372	1,372	2,744
Total Current Assets - Unrestricted	564,727	759,578	1,324,305	563,104	888,802	1,451,906
CURRENT ASSETS - RESTRICTED:						
Accounts Required by the General Bond Resolution:						
Cash	108,400	42,156	150,556	108,022	42,008	150,030
Other:						
Cash	1,063,773	235,453	1,299,226	896,436	145,495	1,041,931
Total Current Assets - Restricted	1,172,173	277,609	1,449,782	1,004,458	187,503	1,191,961
NONCURRENT ASSETS:						
Capital Assets, Net	7,984,522	2,769,910	10,754,432	8,155,301	2,792,356	10,947,657
Total Noncurrent Assets	7,984,522	2,769,910	10,754,432	8,155,301	2,792,356	10,947,657
TOTAL ASSETS	9,721,422	3,807,097	13,528,519	9,722,863	3,868,661	13,591,524
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Loss on Defeasance of Debt	1,542	600	2,142	2,195	853	3,048
Deferred Amount Relating to Pensions	156,953	127,124	284,077	64,554	52,286	116,840
TOTAL DEFERRED OUTFLOWS OF RESOURCES	158,495	127,724	286,219	66,749	53,139	119,888

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015			2014 (Restated)		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
LIABILITIES						
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:						
Accounts Payable - Operations	\$ 23,539	\$ 1,647	\$ 25,186	\$ 15,162	\$ 6,004	\$ 21,166
Accrued Liabilities	49,672	30,560	80,232	50,953	28,993	79,946
Total Current Liabilities Payable From Unrestricted Assets	73,211	32,207	105,418	66,115	34,997	101,112
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Revenue Bonds Payable - Current Portion	250,947	74,200	325,147	249,689	74,200	323,889
Accrued Interest Payable - Bonds and Notes	1,490	580	2,070	4,175	1,623	5,798
Developer Escrow Liability	2,262		2,262	2,260		2,260
Total Current Liabilities Payable From Restricted Assets	254,699	74,780	329,479	256,124	75,823	331,947
LONG-TERM LIABILITIES:						
Accrued Liability Pension - Non-Current Portion	17,732	14,362	32,094	17,732	14,362	32,094
Revenue Bonds Payable - Non-Current Portion	4,042,332	271,600	4,313,932	4,293,279	345,800	4,639,079
Accrued Compensated Absences	44,531	30,264	74,795	35,569	29,398	64,967
Net Pension Liability	925,963	749,989	1,675,952	799,779	647,784	1,447,563
Total Long-Term Liabilities	5,030,558	1,066,215	6,096,773	5,146,359	1,037,344	6,183,703
TOTAL LIABILITIES	5,358,468	1,173,202	6,531,670	5,468,598	1,148,164	6,616,762
DEFERRED INFLOWS OF RESOURCES:						
Deferred Revenue	1,635	105,560	107,195	1,889	105,244	107,133
Deferred Amount Relating to Pensions	38,201	30,941	69,142	47,663	38,604	86,267
Deferred Connection Fees	177,440	25,372	202,812	165,190	27,263	192,453
TOTAL DEFERRED INFLOWS OF RESOURCES	217,276	161,873	379,149	214,742	171,111	385,853
NET POSITION:						
Net Investment in Capital Assets	3,691,244	2,424,111	6,115,355	3,612,339	2,372,356	5,984,695
Unrestricted	612,929	175,635	788,564	493,933	230,169	724,102
TOTAL NET POSITION	\$ 4,304,173	\$ 2,599,746	\$ 6,903,919	\$ 4,106,272	\$ 2,602,525	\$ 6,708,797

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014 (Restated)		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
OPERATING REVENUE:						
User Charges and Fees	\$ 1,269,746	\$ 756,229	\$ 2,025,975	\$ 1,257,981	\$ 741,734	1,999,715
Interest on Delinquent Accounts	30,133	14,933	45,066	31,508	18,889	50,397
Septage Fees	341,663		341,663	278,463		278,463
Miscellaneous Income	702	13,854	14,556		1,548	1,548
Total Operating Revenue	1,642,244	785,016	2,427,260	1,567,952	762,171	2,330,123
OPERATING EXPENSES:						
Cost of Providing Services	809,739	470,713	1,280,452	720,214	425,664	1,145,878
Administrative and General	230,916	215,979	446,895	239,418	222,336	461,754
Depreciation	321,463	122,924	444,387	330,359	125,730	456,089
Total Operating Expenses	1,362,118	809,616	2,171,734	1,289,991	773,730	2,063,721
OPERATING INCOME (LOSS)	280,126	(24,600)	255,526	277,961	(11,559)	266,402
NON-OPERATING REVENUE (EXPENSES):						
Connection Fees	8,750	3,402	12,152	10,500	6,804	17,304
Interest Income	3,097	1,114	4,211	735	1,521	2,256
Miscellaneous Income		25,392	25,392	632	42,905	43,537
Interest Expense	(94,072)	(8,087)	(102,159)	(150,574)	(27,589)	(178,163)
Loss on Early Extinguishment of Debt			-	(15,128)		(15,128)
Debt Issue Costs Incurred			-	(29,926)	(7,471)	(37,397)
Total Non-Operating Revenue (Expenses)	(82,225)	21,821	(60,404)	(183,761)	16,170	(167,591)
CHANGE IN NET POSITION	197,901	(2,779)	195,122	94,200	4,611	98,811
NET POSITION - BEGINNING	4,106,272	2,602,525	6,708,797	4,818,407	3,251,009	8,069,416
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				(806,335)	(653,095)	(1,459,430)
NET POSITION - BEGINNING (AS RESTATED)	4,106,272	2,602,525	6,708,797	4,012,072	2,597,914	6,609,986
NET POSITION- DECEMBER 31,	\$ 4,304,173	\$ 2,599,746	\$ 6,903,919	\$ 4,106,272	\$ 2,602,525	\$ 6,708,797

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	SEWER OPERATIONS			WATER OPERATIONS		
	2015 BUDGET	2015 ACTUAL	2014 ACTUAL (Restated)	2015 BUDGET	2015 ACTUAL	2014 ACTUAL (Restated)
REVENUE:						
User Charges and Fees	\$ 1,255,940	\$ 1,269,746	\$ 1,257,981	\$ 720,000	\$ 756,229	\$ 741,734
Interest on Delinquent Accounts	25,000	30,133	31,508	12,000	14,933	18,889
Connection Fees	17,500	8,750	10,500	3,780	3,402	6,804
Septage Fees	200,000	341,663	278,463			
Miscellaneous Operating Income	1,000	702	632	2,000	13,854	1,548
Miscellaneous Non-Operating Income				41,000	25,392	42,905
Interest on Investments	2,500	3,097	735	1,000	1,114	1,521
Total Revenue	<u>1,501,940</u>	<u>1,654,091</u>	<u>1,579,819</u>	<u>779,780</u>	<u>814,924</u>	<u>813,401</u>
EXPENSES:						
Costs of Providing Services:						
Salaries and Wages	282,260	288,704	272,094	215,390	222,856	210,248
Employee Benefits	154,340	124,720	117,634	109,160	90,281	84,131
Automotive Expenses	15,000	14,061	4,862	10,000	3,687	4,333
Office Supplies - Plant	3,000	1,067	1,379	2,000	252	599
Operating Supplies	124,000	98,878	93,631	37,500	45,034	24,796
Utilities	180,850	188,929	167,695	85,760	77,213	75,761
Repairs and Maintenance	80,000	56,232	31,192	20,000	7,201	10,661
Laboratory Supplies	10,000	7,472	7,122	4,000	2,942	2,122
Laboratory Testing	30,000	9,504	12,950	5,000	4,282	2,534
Public Water Tax				2,000	1,993	1,473
	<u>879,450</u>	<u>789,567</u>	<u>708,559</u>	<u>490,810</u>	<u>455,741</u>	<u>416,658</u>
Administrative and General Expenses:						
Salaries and Wages	63,790	64,560	63,085	63,790	64,560	63,085
Employee Benefits	34,210	50,617	45,391	34,210	50,617	45,391
Office Supplies and Expenses	8,500	6,749	7,830	8,500	6,749	7,830
Computer Expense	9,000	5,659	4,516	9,000	10,159	4,368
Professional Services	81,000	46,917	64,092	57,500	42,308	57,437
Insurance	20,000	14,713	14,962	20,000	14,713	14,962
Postage/Billing	6,000	3,281	3,740	6,000	3,610	4,073
Telephone	6,000	4,294	4,717	6,000	4,293	4,717
Education	4,000	2,567	2,948	3,500	5,237	3,313
Legal Advertising	1,000	1,129	1,014	1,000	962	717
Licenses, Fees, Permits and Assessments	30,000	25,764	24,849	10,000	8,105	8,605
Provision for Doubtful Accounts						5,564
	<u>263,500</u>	<u>226,250</u>	<u>237,144</u>	<u>219,500</u>	<u>211,313</u>	<u>220,062</u>
Interest Expense	<u>127,562</u>	<u>93,419</u>	<u>132,470</u>	<u>18,000</u>	<u>7,833</u>	<u>20,548</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	SEWER OPERATIONS			WATER OPERATIONS		
	2015 BUDGET	2015 ACTUAL	2014 ACTUAL (Restated)	2015 BUDGET	2015 ACTUAL	2014 ACTUAL (Restated)
OTHER COSTS FUNDED BY REVENUES:						
Principal Maturities	\$ 351,251	249,689	\$ 341,053	\$ 74,200	\$ 74,200	\$ 70,000
Other Reserves	165,000	165,000	75,000	90,000	90,000	50,000
Capital Outlays			27,417			
	<u>516,251</u>	<u>414,689</u>	<u>443,470</u>	<u>164,200</u>	<u>164,200</u>	<u>120,000</u>
TOTAL COSTS FUNDED BY REVENUES	<u>1,786,763</u>	<u>1,523,925</u>	<u>1,521,643</u>	<u>892,510</u>	<u>839,087</u>	<u>777,268</u>
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	<u>\$ (284,823)</u>	130,166	58,176	<u>\$(112,730)</u>	(24,163)	36,133
Reconciliation of Budgetary Basis to Change in Net Position						
Adjustments to Budgetary Basis:						
Principal Maturities		249,689	341,053		74,200	70,000
Capital Outlays			27,417			
Other Reserves		165,000	75,000		90,000	50,000
Depreciation		(321,463)	(330,359)		(122,924)	(125,730)
Debt Issue Costs Incurred			(29,926)			(7,471)
Loss on Early Extinguishment of Debt			(15,128)			
Amortization Charged to Interest Expense		(653)	(18,104)		(254)	(7,041)
Pension Expense - Difference of GAAP vs. Budgetary Basis		<u>(24,838)</u>	<u>(13,929)</u>		<u>(19,638)</u>	<u>(11,280)</u>
CHANGE IN NET POSITION PER EXHIBIT B		<u>\$ 197,901</u>	<u>\$ 94,200</u>		<u>\$ (2,779)</u>	<u>\$ 4,611</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2013
DECEMBER 31, 2015**

ORIGINAL		MATURITIES			BALANCE	ISSUED	PAID	BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2015	2015	2015	DECEMBER 31, 2015
6/28/2013	\$ 3,549,000	2.125%	2016	\$ 60,148	\$ 3,462,968	\$ -	\$ 58,889	\$ 3,404,079
			2017	61,432				
			2018	62,744				
			2019	64,085				
			2020	65,454				
			2021	66,852				
			2022	68,281				
			2023	69,739				
			2024	71,229				
			2025	72,750				
			2026	74,305				
			2027	75,892				
			2028	77,513				
			2029	79,169				
			2030	80,861				
			2031	82,588				
			2032	84,352				
			2033	86,154				
			2034	87,995				
			2035	89,875				
			2036	91,795				
			2037	93,755				
			2038	95,758				
			2039	97,804				
			2040	99,894				
			2041	102,027				
			2042	104,207				
			2043	106,433				
			2044	108,707				
			2045	111,029				
			2046	113,401				
			2047	115,824				
			2048	118,298				
			2049	120,825				
			2050	123,406				
			2051	126,042				
			2052	128,736				
			2053	64,720				
					<u>\$ 3,462,968</u>	<u>\$ -</u>	<u>\$ 58,889</u>	<u>\$ 3,404,079</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE REFUNDING BONDS PAYABLE - SERIES 2014
DECEMBER 31, 2015**

ORIGINAL		MATURITIES			BALANCE JANUARY 1, 2015	ISSUED 2015	PRINCIPAL MATURITIES 2015	BALANCE DECEMBER 31, 2015
DATE	AMOUNT	RATE	DATE	AMOUNT				
10/31/2014	\$ 1,500,000	1.946%	12/1/2016	\$ 265,000	\$ 1,500,000	\$ -	\$ 265,000	\$ 1,235,000
			12/1/2017	275,000				
			12/1/2018	390,000				
			12/1/2019	305,000				
					<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 1,235,000</u>

ROSTER OF OFFICIALS

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

Authority Members

Position

Joseph Santagata	Chairman
Richard Baker	Vice Chairman/Asst. Treasurer
Sharon Woshnak	Member
Robert Delano	Member (from 11/23/15)
John Formisano	Member (from 11/24/15; Alternate 1/5/15 – 11/24/15)
Francisco Soto	Member (to 4/24/15)
Joseph Mancuso, Jr.	Member (2/1/15 – 11/23/15)
Michael Feaster	Alternate
Jorge Alvarez	Alternate (from 11/24/15)

Other Officials

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

Surety Company

New Jersey Utility Authorities Joint Insurance Fund

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2015**

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, 2015**

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.