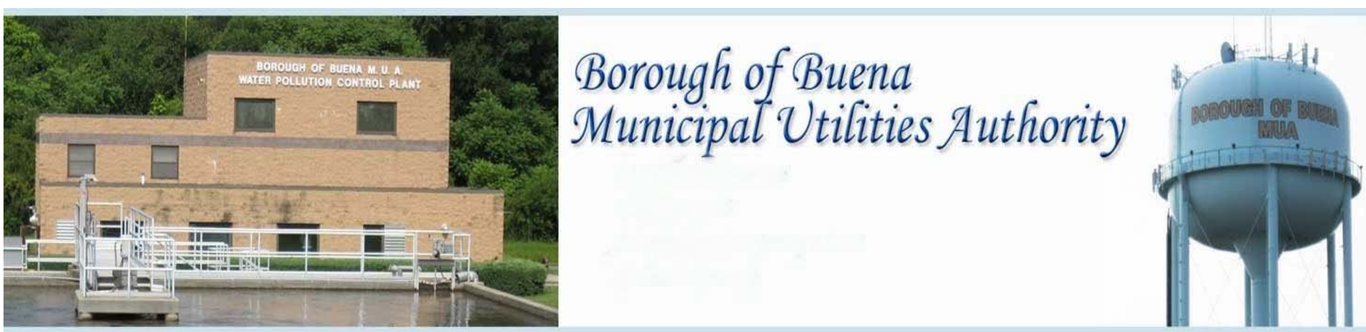
BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017



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

BOROUGH OF BUENA

MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Auditor's Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Buena Municipal Utilities Authority as of December 31, 2018 and 2017, 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, 2018, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statement No. 75, beginning net position on the statements of revenue, expenses and changes in net position has been restated for fiscal year December 31, 2018, as discussed in Note 8 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, schedules of proportionate share of net pension liability, employer contributions and notes, and schedules of proportionate share of net OPEB liability, employer contributions and notes, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

September 25, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, New Jersey, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Borough of Buena Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated September 25, 2019. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the beginning net position for the fiscal year December 31, 2018 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 purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

September 25, 2019

REQUIRED SUPPLEMENTARY INFORMATION
PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Buena Municipal Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2018. 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 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB Statement No. 85, Omnibus 2017, GASB Statement No. 86, Certain Debt Extinguishment Issues. GASB 85 and 86 had no impact on the Authority's financial statements. The adoption of GASB 75' had a cumulative effect totaling $3,247,902 and was recognized as a restatement of the Authority's January 1, 2018 net position on the Statements of Revenue, Expenses and Changes in Net Position (see note 8). The notes to the financial statements provide a more thorough discussion of the implementation of the GASB Statements and their 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 – SEWER OPERATIONS

- The Net Capital Assets of the Authority's Sewer Operation total $7.60 million, which is a $54 thousand or 0.72% increase from 2017. Even though there were only routine additions to current year capital asset equipment, the increase is mainly attributable to the construction in progress for the Louis Drive Sewer Extension Project.

- The Total Assets of the Authority's Sewer Operation increased $176 thousand to $9.99 million in 2018. The increase was mainly attributable to the increase in cash and receivables generated from net income.

- During the year, the operating revenues of the Authority's Sewer Operation were $1.87 million which is a $39 thousand or 2.05% decrease from 2017, which is mainly attributable to a large one time connection fee received in 2017.

- The Authority's Sewer operating expenses decreased by $71 thousand to $1.45 million compared to 2017, a decrease of 4.68%. The decrease is mainly attributable to the actuarial estimates for the accrued portion of future pension and healthcare expenses which were $54 thousand in 2017 and $14 thousand in 2018.

- While the Sewer Operation had a positive change in Net Position of $360 thousand, the Total Net Position of the Authority's Sewer Operation decreased from last year by $1.434 million to $3.394 million as a result of the $1.794 million decrease from the adoption of GASB 75 and the recording of the accrued retiree health benefits.

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

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS (CONTINUED)

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

	2018	2017	2016	2018-2017 Increase(Decrease) $	2018-2017 Increase(Decrease) %	2017-2016 Increase(Decrease) $	2017-2016 Increase(Decrease) %
Current Assets-Unrestricted	$ 967	$ 759	$ 883	$ 208	27.40%	$ (124)	(14.04%)
Current Assets-Restricted	1,414	1,500	1,244	(86)	(5.73%)	256	20.58%
Noncurrent Assets	7,606	7,552	7,763	54	0.72%	(211)	(2.72%)
Total Assets	9,987	9,811	9,890	176	1.79%	(79)	(0.80%)
Deferred Outflows Of Resources	285	346	455	(61)	(17.63%)	(109)	(23.96%)
Current Liabilities	98	86	73	12	13.95%	13	17.81%
Current Liabilities Payable From Restricted Assets	288	351	286	(63)	(17.95%)	65	22.73%
Long-Term Liabilities	5,290	4,577	5,186	713	15.58%	(609)	(11.74%)
Total Liabilities	5,676	5,014	5,545	662	13.20%	(531)	(9.58%)
Deferred Inflows Of Resources	1,202	315	214	887	281.59%	101	47.20%
Net Investment in Capital Assets	4,167	3,769	3,699	398	10.56%	70	1.89%
Restricted Net Position	108	108	108	-	0.00%	-	0.00%
Unrestricted Net Position	(881)	951	779	(1,832)	(192.64%)	172	22.08%
Total Net Position	$ 3,394	$ 4,828	$ 4,586	$ (1,434)	(29.70%)	$ 242	5.28%

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

The increase in noncurrent assets is due to the increase in net capital assets which is the net result of acquisitions outweighing depreciation. The main drive of acquisitions is attributable to the construction in progress for the Louis Drive Sewer Extension Project.

The decrease in deferred outflows of resources is due to the decrease in deferred amount relating to pensions outweighing the increase due to the adoption of GASB 75 and the resulting inclusion of deferred amounts relating to OPEB.

The increase in deferred inflows of resources is due to the increase in deferred amount relating to pensions the increase due to the adoption of GASB 75 and the resulting inclusion of deferred amounts relating to OPEB and the increase in deferred connection fees.

FINANCIAL HIGHLIGHTS – SEWER OPERATIONS (CONTINUED)

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

The increase in long-term liabilities is the result of the decrease in the principal maturities of revenue bonds and the net pension liability outweighed by the increase in the net OPEB liability due to the adoption of GASB 75.

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)

				2018-2017 Increase(Decrease)		2017-2016 Increase(Decrease)	
	2018	**2017**	**2016**	**$**	**%**	**$**	**%**
Operating Revenue							
User Charges & Fees	$ 1,324	$ 1,294	$ 1,269	$ 30	2.32%	$ 25	1.97%
Septage Fees	459	442	407	17	3.85%	35	8.60%
Other Operating	82	168	157	(86)	(51.19%)	11	7.01%
Nonoperating Revenue	22	11	15	11	100.00%	(4)	(26.67%)
Total Revenue	1,887	1,915	1,848	(28)	(1.46%)	67	3.63%
Operating Expenses							
Cost of Providing Services	889	926	900	(37)	(4.00%)	26	2.89%
Administrative and General	252	265	251	(13)	(4.91%)	14	5.58%
Depreciation	307	328	325	(21)	(6.40%)	3	0.92%
Non Operating Expenses							
Municipal Contribution	-	70		(70)			
Interest & Amortization Expense	79	84	90	(5)	(5.95%)	(6)	(6.67%)
Total Expenses	1,527	1,673	1,566	(146)	(8.73%)	37	2.36%
Change in Net Position	360	242	282	118	48.76%	(40)	(14.18%)
Beginning Net Position	4,828	4,586	4,304	242	5.28%	282	6.55%
Cummulative Effect of Change in Accounting	(1,794)						
Beginning Net Position (Restated)	3,034	4,586	4,304	(1,552)	(33.84%)	282	6.55%
Ending Net Position	$ 3,394	$ 4,828	$ 4,586	$(1,434)	(29.70%)	$ 242	5.28%

REVENUES AND EXPENSES – SEWER OPERATIONS

The total revenues of the Authority's Sewer Operation are approximately $1.887 million for the year ended December 31, 2018. User Charges and Fees were $1.324 million, accounting for 70.16% of total revenue. Septage Fees were $0.459 million, accounting for 24.32% of total revenue. Of the Operating Expenses, the cost of providing services, which totaled $0.889 million, decreased $37 thousand from the prior year, and the administrative and general expenses, which totaled $0.252 million, decreased $13 thousand from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS

Capital Assets

At the end of December 2018, the Authority's Sewer Operation had $7.6 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was $.307 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, 2018.

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

				2018-2017 Increase(Decrease)		2017-2016 Increase(Decrease)	
	2018	2017	2016	$	%	$	%
Land	$ 517	$ 517	$ 486	$ -	0.00%	$ 31	6.38%
Treatment Plant and Facilities	5,568	5,780	5,961	(212)	(3.67%)	(181)	(3.04%)
Pumping Stations, Interceptors and Improvements	943	999	1,055	(56)	(5.61%)	(56)	(5.31%)
Machinery and Equipment	360	241	224	119	49.38%	17	7.59%
Construction in Progress	218	15	37	203	1353.33%	(22)	(59.46%)
Total	$ 7,606	$ 7,552	$ 7,763	$ 54	0.72%	$ (211)	(2.72%)

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

Machinery and Equipment	$ 158
Construction in Progress	203
	$ 361

CAPITAL ASSETS AND DEBT ADMINISTRATION – SEWER OPERATIONS (CONTINUED)

Capital Assets (Continued)

The Authority's FY 2019 capital budget plans for investing another $2.775 million in the following capital projects (in thousands):

Plant Operating/Office Equipment	$ 1,985
Lines and Laterals	25
Machinery and Equipment	525
Septage Receiving Station	240
Total	$ 2,775

The Authority plans on funding those capital projects using a combination of existing cash, including reserves, 2019 revenues, and the issuance of $985 thousand in long-term debt.

Debt Administration

At December 31, 2018, the Authority's Sewer Operation had several outstanding bonds payable in the amount of $3,439,355 that mature in various amounts through the year 2053 with interest rates ranging from 1.946% to 2.125%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES – SEWER OPERATIONS

The budget for the year 2019 maintains the same rates for residential user charges and fees setting the rate at $545 per unit per year. In addition, commercial sewer users are billed based on flow. Budgeted connection fees for new customers remain the same at $3,500/unit.

WATER OPERATION

FINANCIAL HIGHLIGHTS – WATER OPERATIONS

- The Net Capital Assets of the Authority's Water Operation total $2.653 million, which is an decrease of $120 thousand or 4.33% from 2017. Even though there were current year additions to capital assets, this decrease is mainly attributable to the current year depreciation of $131 thousand.

- The Total Assets of the Authority's Water Operation decreased 4.53% from the prior year to $3.418 million. The decrease was mainly attributable to the depreciation on capital assets and the reduction in cash attributable to the current year operating loss.

- During the year, the operating revenues of the Authority's Water Operation were $.737 million which is equal to 2017, which is mainly attributable to steady usage.

- The Authority's operating expenses were $.863 million, which is a 0.32% decrease from 2017. The decrease is mainly attributable to the actuarial estimates for the accrued portion of future pension and healthcare expenses which were $44 thousand in 2017 and $11 thousand in 2018.

FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)

- The total Net Position of the Authority's Water Operation decreased from last year by $141 thousand due to the current year loss of $100 thousand and as a result of the $1.453 million decrease from the adoption of GASB 75 and the recording of the accrued retiree health benefits.

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

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

				2018-2017 Increase(Decrease)		2017-2016 Increase(Decrease)	
	2018	**2017**	**2016**	**$**	**%**	**$**	**%**
Current Assets-Unrestricted	$ 311	$ 458	$ 542	$ (147)	(32.10%)	$ (84)	(15.50%)
Current Assets-Restricted	454	349	434	105	30.09%	(85)	(19.59%)
Noncurrent Assets	2,653	2,773	2,873	(120)	(4.33%)	(100)	(3.48%)
Total Assets	3,418	3,580	3,849	(162)	(4.53%)	(269)	(6.99%)
Deferred Outflows of Resources	231	280	368	(49)	(17.50%)	(88)	(23.91%)
Current Liabilities	58	53	70	5	9.43%	(17)	(24.29%)
Current Liabilities Payable From Restricted Assets	90	116	164	(26)	(22.41%)	(48)	(29.27%)
Long-Term Liabilities	1,722	1,001	1,321	721	72.03%	(320)	(24.22%)
Total Liabilities	1,870	1,170	1,555	700	59.83%	(385)	(24.76%)
Deferred Inflows of Resources	963	321	152	642	200.00%	169	111.18%
Net Investment in Capital Assets	2,567	2,579	2,516	(12)	(0.47%)	63	2.50%
Restricted Net Position	42	42	42	-		-	
Unrestricted Net Position (Deficit)	(1,793)	(252)	(48)	(1,541)	611.51%	(204)	425.00%
Total Net Position	$ 816	$ 2,369	$ 2,510	$ (1,553)	(65.56%)	$ (141)	(5.62%)

Total current assets decreased $42 thousand, mainly due to the current year net loss of $100 thousand.

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

The decrease in deferred outflows of resources is due to the decrease in deferred amount relating to pensions outweighing the increase due to the adoption of GASB 75 and the resulting inclusion of deferred amounts relating to OPEB.

FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)

The increase in deferred inflows of resources is due to the increase in deferred amount relating to pensions the increase due to the adoption of GASB 75 and the resulting inclusion of deferred amounts relating to OPEB and the increase in deferred connection fees.

The decrease in current liabilities is primarily the result of increases in operating accounts payable developers escrow liability, and accrued liabilities outweighed by the an increase in the current portion of revenue bonds payable.

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

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

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

FINANCIAL HIGHLIGHTS – WATER OPERATIONS (CONTINUED)

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

	2018	2017	2016	2018-2017 Increase(Decrease) $	2018-2017 Increase(Decrease) %	2017-2016 Increase(Decrease) $	2017-2016 Increase(Decrease) %
Operating Revenue							
User Charges & Fees	$ 716	$ 716	$ 730	$ -	0.00%	$ (14)	(1.92%)
Other Operating	21	21	57	-	0.00%	(36)	(63.16%)
Nonoperating Revenue	30	32	41	(2)	(6.25%)	(9)	(21.95%)
Total Revenue	767	769	828	(2)	(0.26%)	(59)	(7.13%)
Operating Expenses							
Cost of Providing Services	505	531	557	(26)	(4.90%)	(26)	(4.67%)
Administrative and General	227	203	236	24	11.82%	(33)	(13.98%)
Depreciation	131	131	118	-	0.00%	13	11.02%
Non Operating Expense							
Municipal Contribution	-	40		(40)	n/a	40	n/a
Interest, Amortization and Debt Issue Costs	4	5	7	(1)	(20.00%)	(2)	(28.57%)
Total Expenses	867	910	918	(43)	(4.73%)	(8)	(0.87%)
Change in Net Position	(100)	(141)	(90)	41	(29.08%)	(51)	(56.67%)
Beginning Net Position	2,369	2,510	2,600	(141)	(5.62%)	(90)	(3.46%)
Cummulative Effect of Change in Accounting	(1,453)						
Beginning Net Position (Restated)	916	2,510	2,600	(1,594)	(63.51%)	(90)	(3.46%)
Ending Net Position	$ 816	$ 2,369	$ 2,510	$ (1,553)	(65.56%)	$ (141)	(5.62%)

REVENUES AND EXPENSES – WATER OPERATIONS

The total revenues of the Authority's Water Operation are approximately $.767 million for the year ended December 31, 2018. User Charges and Fees were $.716 million, accounting for 93.35% of total revenue. Of the Operating Expenses, the cost of providing services, which totaled $0.505 million, decreased $26 thousand from the prior year, and the administrative and general expenses, which totaled $0.227 million, increased $24 thousand from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION – WATER OPERATIONS

Capital Assets

At the end of December 2018, the Authority's Water Operation had $2.653 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was $.131 million.

The following tables summarize the capital assets of the Authority's Water Operation, net of accumulated depreciation, and changes therein, for the year ended December 31, 2018.

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

				2018-2017 Increase(Decrease)		2017-2016 Increase(Decrease)	
	2018	**2017**	**2016**	**$**	**%**	**$**	**%**
Land	$ 35	$ 35	$ 4	$ -	-	$ 31	7.75
Water Distribution System	2,439	2,553	2,667	(114)	(4.47%)	(114)	(4.27%)
Machinery and Equipment	179	185	202	(6)	(3.24%)	(17)	(8.42%)
Total	$ 2,653	$ 2,773	$ 2,873	$ (120)	(4.33%)	$ (100)	(3.48%)

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

Machinery and Equipment	$ 11

The Authority's FY 2019 capital budget plans for investing another $.948 million in capital projects, including the following (in thousands):

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

The Authority plans on funding those capital projects using existing cash reserves and 2019 revenue.

Debt Administration

At December 31, 2018, the Authority's Water Operation had an outstanding bond issue payable in the amount of $85,400 that matures in various amounts through the year 2019 with interest rates of 1.946%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES – WATER OPERATIONS

The budget for the year 2019 maintains the same rates for user charges and fees and connection fees for new customers.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS - UNRESTRICTED:		
Cash	$ 939,618	$ 901,874
Accounts Receivable, Net of Allowance for Doubtful Accounts	261,658	252,391
Inventory	54,541	53,005
Other Receivables	21,524	10,035
Prepaid Expenses		
Total Current Assets - Unrestricted	1,277,341	1,217,305
CURRENT ASSETS - RESTRICTED:		
Accounts Required by the General Bond Resolution:		
Cash	152,087	151,614
Other:		
Cash	1,716,555	1,697,347
Total Current Assets - Restricted	1,868,642	1,848,961
NONCURRENT ASSETS:		
Capital Assets, Net of Accumulated Depreciation	10,259,129	10,324,672
Total Noncurrent Assets	10,259,129	10,324,672
TOTAL ASSETS	13,405,112	13,390,938
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Defeasance of Debt	192	631
Deferred Amount Relating to OPEB	79,099	-
Deferred Amount Relating to Pensions	436,253	625,973
TOTAL DEFERRED OUTFLOWS OF RESOURCES	515,544	626,604

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	$ 57,416	$ 45,053
Accrued Liabilities	98,247	93,626
Total Current Liabilities Payable From Unrestricted Assets	155,663	138,679
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Revenue Bonds Payable - Current Portion	369,085	452,744
Accrued Interest Payable - Bonds and Notes	511	1,165
Developer Escrow Liability	8,591	12,668
Total Current Liabilities Payable From Restricted Assets	378,187	466,577
LONG-TERM LIABILITIES:		
Accrued Liability Pension - Non-Current Portion	40,888	38,658
Revenue Bonds Payable - Non-Current Portion	3,155,670	3,524,755
Accrued Compensated Absences	79,188	72,695
Net OPEB Liability	2,117,813	
Net Pension Liability	1,618,726	1,942,771
Total Long-Term Liabilities	7,012,285	5,578,879
TOTAL LIABILITIES	7,546,135	6,184,135
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	107,838	123,464
Deferred Amount Relating to OPEB	1,195,941	
Deferred Amount Relating to Pensions	579,590	414,282
Deferred Connection Fees	281,200	98,192
TOTAL DEFERRED INFLOWS OF RESOURCES	2,164,569	635,938
NET POSITION:		
Net Investment in Capital Assets	6,734,567	6,347,803
Restricted:		
Bond Reserve Fund	150,000	150,000
Unrestricted (Deficit)	(2,674,615)	699,666
TOTAL NET POSITION	$ 4,209,952	$ 7,197,469

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

EXHIBIT B

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUE:		
User Charges and Fees	$ 2,040,540	$ 2,010,352
Interest on Delinquent Accounts	42,539	42,179
Septage Fees	459,249	441,621
Connection Fees	54,012	142,268
Miscellaneous Income	5,620	5,198
Total Operating Revenue	2,601,960	2,641,618
OPERATING EXPENSES:		
Cost of Providing Services	1,393,590	1,456,939
Administrative and General	478,752	468,101
Depreciation	438,069	459,213
Total Operating Expenses	2,310,411	2,384,253
OPERATING INCOME	291,549	257,365
NON-OPERATING REVENUE (EXPENSES):		
Interest Income	24,355	12,162
Municipal Appropriation to Borough of Buena		(110,000)
Miscellaneous Income	27,212	31,274
Interest Expense	(82,731)	(89,761)
Total Non-Operating Revenue (Expenses)	(31,164)	(156,325)
CHANGE IN NET POSITION	260,385	101,040
NET POSITION - JANUARY 1, (PREVIOUSLY REPORTED)	7,197,469	7,096,429
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	(3,247,902)	
NET POSITION - JANUARY 1, (RESTATED)	3,949,567	7,096,429
NET POSITION- DECEMBER 31,	$ 4,209,952	$ 7,197,469

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

EXHIBIT C

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	$ 2,517,435	$ 2,492,972
Cash Payments to Suppliers for Goods and Services	(799,665)	(878,937)
Cash Payments for Employee Services	(1,046,336)	(937,731)
Other Receipts (Payments)	242,640	20,710
Net Cash Provided by Operating Activities	914,074	697,014
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Other Non-Operating Revenue	27,212	31,274
Municipal Appropriation to Borough of Buena	-	(110,000)
Net Cash Provided by (Used in) Non-Capital Financing Activities	27,212	(78,726)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(372,526)	(255,648)
Principal Paid on Bonds and Notes	(452,744)	(336,432)
Interest Paid on Bonds and Notes	(82,946)	(89,610)
Net Cash Used in Capital and Related Financing Activities	(908,216)	(681,690)
CASH FLOWS FROM INVESTING ACTIVITIES: .		
Interest Received on Investments	24,355	12,162
Net Cash Provided by Investing Activities	24,355	12,162
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,425	(51,240)
CASH AND CASH EQUIVALENTS - JANUARY 1,	2,750,835	2,802,075
CASH AND CASH EQUIVALENTS - DECEMBER 31,	$ 2,808,260	$ 2,750,835
CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION:		
Unrestricted	$ 939,618	$ 901,874
Accounts Required by the General Bond Resolution	152,087	151,614
Other Unrestricted	1,716,555	1,697,347
	$ 2,808,260	$ 2,750,835

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	$ 291,549	$ 257,365
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	438,069	459,213
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(9,267)	(17,144)
Inventory	(1,536)	(1,021)
Other Receivables	(11,489)	306
Prepaid Expense	-	3,358
Accounts Payable	12,363	(8,338)
Accrued Liabilities	4,621	4,537
Accrued Compensated Absences	6,493	8,453
Developer Escrow Liability	(4,077)	8,021
Accrued Liabilities Related to OPEB	(606,469)	
Accrued Liabilities Related to Pensions	(321,815)	(484,154)
Deferred Outflows Related to OPEB	(33,738)	
Deferred Outflows Related to Pensions	189,720	196,184
Deferred Inflows Related to OPEB	626,960	
Deferred Inflows Related to Pensions	165,308	381,026
Deferred Connection Fees	183,008	(126,756)
Deferred User Charges	(15,626)	15,964
Total Adjustments	622,525	439,649
Net Cash Provided by Operating Activities	$ 914,074	$ 697,014

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Financial Reporting Entity

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

Basis of Presentation

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Budgets and Budgetary Accounting

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

Cash, Cash Equivalents and Investments

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

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

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

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

Accounts Receivable

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

Inventory

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

Prepaid Expenses

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

Capital Assets

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Deferred Outflows and Deferred Inflows of Resources

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

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

The Authority reports the following as deferred outflows of resources:

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

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

The Authority reports the following as deferred inflows of resources:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

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

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

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

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

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

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

Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

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

Allocation of Common Costs

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

Adoption of Accounting Pronouncements

For the year ended December 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement 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. The cumulative effect of adopting this Statement totaled $3,247,902, and was recognized as a restatement of the Authority's January 1, 2018 net position on the Statements of Revenues, Expenses and Changes in Net Position (see note 8).

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period (GASB 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

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

Subsequent Events

Management has evaluated subsequent events through September 25, 2019, the date the financial statements were available for issue.

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:

	2018	2017
Debt Service Reserve Requirement	$ 150,000	$ 150,000
Debt Service Reserve Fund Cash & Equivalents Balance	152,087	151,614
Sufficient (Insufficient) Reserve Fund Balance	$ 2,087	$ 1,614

NOTE 3 DETAIL NOTES - ASSETS

CASH AND CASH EQUIVALENTS

At December 31, 2018 and 2017, the carrying amount of the Authority's time and demand deposits were $1,602,133 and $1,566,433, respectively, and the bank balance of the Authority's time and demand deposits were $1,623,646 and $1,533,400, 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, 2018, $250,000 of the Authority’s bank balance of $1,623,646 was insured and $1,373,646 was covered under GUDPA as described above. As of December 31, 2017, $250,000 of the Authority’s bank balance of $1,533,400 was insured and $1,283,400 was covered under GUDPA as described above.

At December 31, 2018 and 2017, the Authority had $1,206,127 and $1,184,402, respectively, invested in the New Jersey Cash Management Fund (“the Fund”) which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund’s participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2018 and 2017 consists of the following:

	2018	2017
Customer Accounts Receivable:		
Sewer	$ 133,902	$ 149,848
Water	128,790	118,892
Septage Hauler Receivables	59,482	42,333
	322,174	311,073
Less: Allowance for Doubtful Accounts	(60,516)	(58,682)
Accounts Receivable, Net of Allowance for Doubtful Accounts	$ 261,658	$ 252,391

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

CAPITAL ASSETS

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

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

NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)

CAPITAL ASSETS (CONTINUED)

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

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

Depreciation expense for the years ended December 31, 2018 and 2017 was charged to:

	2018	2017
Sewer Operations	$ 307,000	$ 328,362
Water Operations	131,069	130,851
	$ 438,069	$ 459,213

NOTE 4 DETAIL NOTES – LIABILITIES

LONG-TERM DEBT

Bonds Payable

At December 31, 2018, 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 pays principal and interest on the unpaid principal balance at a rate of 2.125% per annum in equal semi-annual installments of $66,083. Payments commenced on December 28, 2013 and each June 28 and December 28 thereafter, the final installment is on June 28, 2053. The outstanding balance of the Series 2013 Revenue Bonds at December 31, 2018 and 2017 is $3,282,499 and $3,219,755, respectively.

On October 31, 2014, the Authority issued its $1,500,000 Revenue Refunding Bond to Capital Bank of New Jersey to currently refund, together with existing cash on hand, $1,555,000 of outstanding Series 2003A Bonds. The Authority pays principal and interest on the unpaid principal balance at a rate of 1.946% per annum. Payments began on December 1, 2015 and go through 2019, in maturities ranging from $265,000 to $405,000. The outstanding balance of the Series 2014 Revenue Refunding Bonds at December 31, 2018 and 2017 is $305,000 and $695,000, 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, 2018 and 2017 is estimated at $79,188 and $72,695 respectively.

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

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM DEBT (CONTINUED)

	Balance Jan. 1, 2018 (As Originally Stated)	Restatement	Balance Jan. 1, 2018 (As Restated)	Additions	Reductions	Balance Dec. 31, 2018	Amounts Due Within One Year
Bonds Payable:							
Series 2013 Revenue Bonds (USDA)	$ 3,282,499	$	$ 3,282,499	$	$ 62,744	$ 3,219,755	$ 64,085
Series 2014 Revenue Bonds	695,000		695,000		390,000	305,000	305,000
Total Bonds Payable	3,977,499	-	3,977,499	-	452,744	3,524,755	369,085
Other Liabilities:							
Accrued Compensated Absences	72,695		72,695	31,969	25,476	79,188	
Accrued Liability Pension	38,658		38,658	40,888	38,658	40,888	
Net Pension Liability	1,942,771		1,942,771	579,590	903,635	1,618,726	
Net OBEB Obligation		2,724,283	2,724,283	2,204,548	86,735	2,117,813	
Total Other Liabilities	2,054,124	2,724,283	4,778,407	2,856,995	1,054,504	3,856,615	-
Total Long-Term Liabilities	$ 6,031,623	$2,724,283	$ 8,755,906	$2,856,995	$1,507,248	$ 7,381,370	$369,085

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

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

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2019	$ 369,085	$ 74,016	$ 443,101
2020	65,454	66,712	132,166
2021	66,852	65,314	132,166
2022	68,280	63,886	132,166
2023	69,739	62,427	132,166
2024 - 2028	371,689	289,141	660,830
2029 - 2033	413,124	247,706	660,830
2034 - 2038	459,178	201,652	660,830
2039 - 2043	510,365	150,465	660,830
2044 - 2048	567,259	93,571	660,830
2049 - 2053	563,729	30,342	594,071
Total	$ 3,524,755	$ 1,345,231	$ 4,869,986

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS

PENSIONS

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

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

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Plan Descriptions

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

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

Vesting and Benefit Provisions

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Vesting and Benefit Provisions (Continued)

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

The following represents the membership tiers for PERS:

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

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

Contributions

Defined Contribution Retirement Program – – The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, if applicable, the Authority would contribute 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. For the years ended December 31, 2018, 2017 and 2016, there were no employees participating in the DCRP.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Contributions (Continued)

Public Employees' Retirement System – The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, 2017 and 2016, the State's pension contribution was less than the actuarial determined amount.

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

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employee contributions were $44,958, $41,973 and $39,986 for the years ended December 31, 2018, 2017, and 2016, respectively. The payroll subject to pension for the Authority's employees covered by PERS was $605,878, $577,348 and $553,785 for the years ended December 31, 2018, 2017 and 2016, 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 $81,775, $77,315 and $72,864 for the years ended December 31, 2018, 2017, and 2016, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2018, 2017 and 2016 was 13.50%, 13.39% and 13.16%, respectively.

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

At December 31, 2018 and 2017, the Authority reported a liability of $1,618,726 and $1,942,771, respectively for its proportionate share of the net pension liability. The net pension liability at December 31, 2018 and 2017 were measured as of June 30, 2018 and 2017, respectively. The total pension liability used to calculate the net pension liability on June 30, 2018 and 2017 was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Authority's proportion share of the net pension liability is shown on the following page:

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

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

Measurement Date	Allocation	Measurement Date	Allocation
June 30, 2018	0.0082212600%	June 30, 2017	0.0083458082%
June 30, 2017	0.0083458082%	June 30, 2016	0.0082018428%
Change	-0.0001245482%	Change	0.0001439654%

At December 31, 2018 and 2017, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ 30,869	$ 8,347	$ 45,746	$ -
Changes of Assumptions	266,739	517,582	391,401	389,966
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	15,184	13,229	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	97,757	38,477	136,939	24,316
Authority Contributions Subsequent to the Measurement Date	40,888	-	38,658	-
	$ 436,253	$ 579,590	$ 625,973	$ 414,282

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

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

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

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

Deferred outflows of resources related to pensions in the amount of $40,888 and $38,658 will be included as a reduction of the net pension liability in the year ending December 31, 2018 and 2017, respectively. This amount is based on an estimated April 1, 2019 and April 1, 2018 contractually required contribution. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page:

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

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

Year Ending Dec 31,	
2018	$ 33,923
2019	33,923
2020	33,923
2021	33,923
2022	33,923
2023	14,610
	$ 184,225

Actuarial Assumptions

The total pension liability for the June 30, 2018 and 2017 measurement dates were determined by actuarial valuations as of July 1, 2017 and 2016, respectively, which were rolled forward to June 30, 2018 and 2017, respectively.

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

	June 30, 2018	June 30, 2017
Inflation	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2018 and 2017 are summarized in the table on the following page:

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

	June 30, 2018		June 30, 2017	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%	5.00%	5.51%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%
Cash	5.50%	1.00%	5.50%	1.00%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Emerging Market Equities	6.50%	11.64%	6.50%	11.64%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
Non-U.S. Developed Markets E	11.50%	9.00%	11.50%	9.00%
Private Real Estate	2.50%	11.83%	2.50%	11.83%
Public High Yield Bonds	2.50%	6.82%	2.50%	6.82%
U.S. Equity	30.00%	8.19%	30.00%	8.19%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00%, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% and 40% of the actuarial determined contributions as of June 30, 2018 and 2017, respectively. The local employers contributed 100% of their actuarially required contributions for both June 30, 2018 and 2017. 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 2046. Therefore, the long-term expected rate of return of plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

PENSIONS (CONTINUED)

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

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018 and 2017, respectively, calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

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

	June 30, 2017		
	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Authority's Proportionate Share of the Net Pension Liability	$ 2,410,139	$ 1,942,771	$ 1,553,395

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

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

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

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

The Authority is billed monthly by the Plan and paid $62,537, $89,787 and $86,735 for the years ended December 31, 2018, 2017 and 2016, respectively. The Plan payments represent 15.02%, 16.21% and 11.12% of the Authority's covered payroll for the years ended December 31, 2018, 2017 and 2016, respectively. Retirees did not contribute to the plan for the fiscal year ended June 30, 2018.

OPEB Liability

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liability (Continued)

The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2017 through June 30, 2018. The Authority's proportion share of the net pension liability was as follows:

Measurement Date	Allocation
June 30, 2018	0.0135180000%
June 30, 2017	0.0133440000%
Change	0.0001740000%

OPEB Expense

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

	June 30, 2018	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ -	$ 429,992
Changes of Assumptions	-	537,211
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,119	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	34,612	228,738
Authority Contributions Subsequent to the Measurement Date	43,368	-
	$ 79,099	$ 1,195,941

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

Year Ending Dec 31,	
2019	$ (165,240)
2020	(165,240)
2021	(165,240)
2022	(165,358)
2023	(174,202)
Thereafter	(324,930)
	$ (1,160,210)

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

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

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

* Salary Increases are based on the defined benefit plan that the member is enrolled in and his or her age.

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

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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

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

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

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

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

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEMS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Plan Fiduciary Net Position

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

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

NOTE 6 DETAILED NOTES – NET POSITION

UNRESTRICTED NET POSITION

The unrestricted net position as of December 31, 2018 and 2017 is comprised of the following:

	2018		2017	
	Sewer	Water	Sewer	Water
Total Unrestricted Net Position (Deficit) - (GAAP)	$(881,016)	$(1,793,599)	$ 951,121	$(251,455)
Cumulative Effect of the Pension Liability and Related Items (GASB 68)	1,041,311	843,415	1,020,497	826,556
Cumulative Effect of the OPEB Liability and Related Items (GASB 75)	1,787,147	1,447,508		
Total Unrestricted Net Position (Budgetary Basis)	1,947,442	497,324	1,971,618	575,101
Less:				
Designated for Renewal and Replacement	814,812	231,611	976,090	152,859
Designated for Operating Budget	237,139	238,097	416,824	247,382
Total Unrestricted and Undesignated (Budgetary Basis)	$ 895,491	$ 27,616	$ 578,704	$ 174,860

NOTE 6 DETAILED NOTES – NET POSITION

UNRESTRICTED NET POSITION (CONTINUED)

Designated Net Position

The Authority has a GAAP basis unrestricted net position (deficit) of ($2,674,614) and $699,666 as of December 31, 2018 and 2017, respectively. As shown in the previous chart, the Authority also had a budgetary basis unrestricted net position of $2,444,767 and $2,546,719 as of December 31, 2018 and 2017, respectively.

The Authority has, by resolution, designated a portion of its Budgetary Basis Unrestricted Net Position as of December 31, 2018 and 2017 for the following purposes:

Renewal and Replacement – As of December 31, 2018 and 2017, the Authority has designated $814,812 and $976,090, respectively for sewer capital improvements. As of December 31, 2018 and 2017, the Authority has designated $231,611 and $152,859, respectively for water capital improvements.

Subsequent Year's Budget – As of December 31, 2018 and 2017, the Authority has designated $237,139 and $416,824, respectively for the subsequent year's Sewer operating budgets. As of December 31, 2018 and 2017, the Authority has designated $238,097 and $247,382, respectively for the subsequent year's Water operating budgets.

NOTE 7 RISK MANAGEMENT

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

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

The JIF provides its own financial report for the year ended December 31, 2018, which can be obtained from:

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

NOTE 8 RESTATEMENT

As indicated in Note 1 to the financial statements, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, for the year ended December 31, 2018. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Authority's net OPEB obligation. The January 1, 2018 unrestricted net position has been restated to reflect the cumulative effect of implementing GASB 75 as follows:

	GASB 75 Implementation				
	As Previously Reported Dec. 31, 2017	Deferred Outflows	Net OPEB Liability	Deferred Inflows	As Restated Jan. 1, 2018
Net Investment in Capital Assets	$ 6,347,803	$	$	$	$ 6,347,803
Restricted	150,000				150,000
Unrestricted	699,666	45,361	(2,724,283)	(568,980)	(2,548,236)
	$ 7,197,469	$ 45,361	$ (2,724,283)	$ (568,980)	$ 3,949,567

REQUIRED SUPPLEMENTARY INFORMATION
PART II

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

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

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

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

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

Notes to Required Supplementary Information

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

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

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

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

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION
PART III

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

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

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

Schedule of Employer Contributions

	2018	2017	2016
Contractually Required Contribution	$ 86,735	$ 89,787	$ 62,537
Contributions in Relation to the Contractually Required Contribution	(86,735)	(89,787)	(62,537)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Authority's Covered-Employee Payroll	$ 577,348.00	$ 553,785.00	$ 562,176.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	15.02%	16.21%	11.12%

Notes to Required Supplementary Information

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

Changes in Assumptions -

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

2018	2017	2018
3.87%	3.58%	2.85%

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

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

	SEWER OPERATION				WATER OPERATION				TOTAL	
	NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED UNDESIGNATED	UNRESTRICTED DESIGNATED	NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED UNDESIGNATED	UNRESTRICTED DESIGNATED	2018 (MEMO)	2017 (MEMO)
OPERATING REVENUE:										
User Charges	$	$	$ 1,324,151	$	$	$	$ 716,389	$	$ 2,040,540	$ 2,010,352
Interest on Delinquent Accounts			28,836				13,703		42,539	42,179
Septage Fees			459,249				-		459,249	441,621
Connection Fees			52,500				1,512		54,012	142,268
Miscellaneous Income			423				5,197		5,620	5,198
	-	-	1,865,159	-	-	-	736,801	-	2,601,960	2,641,618
OPERATING EXPENSES:										
Cost of Providing Services			888,795				504,795		1,393,590	1,456,939
Administrative and General			251,912				226,840		478,752	468,101
Depreciation	307,000		-		131,069		-		438,069	459,213
	307,000	-	1,140,707	-	131,069	-	731,635	-	2,310,411	2,384,253
OPERATING INCOME (LOSS)	(307,000)	-	724,452	-	(131,069)	-	5,166	-	291,549	257,365
NON-OPERATING REVENUE (EXPENSES):										
Interest Income			21,725				2,630		24,355	12,162
Municipal Appropriation to Borough of Buena			-				-		-	(110,000)
Miscellaneous Income			-		12,136		15,076		27,212	31,274
Interest Expense	(315)		(78,497)		(123)		(3,796)		(82,731)	(89,761)
	(315)	-	(56,772)	-	12,013	-	13,910	-	(31,164)	(156,325)
INCOME (LOSS) BEFORE TRANSFERS	(307,315)	-	667,680	-	(119,056)	-	19,076	-	260,385	101,040
TRANSFERS	705,351		(364,388)	(340,963)	107,784		(177,251)	69,467	-	-
INCREASE (DECREASE) IN NET POSITION	398,036	-	303,292	(340,963)	(11,272)	-	(158,175)	69,467	260,385	101,040
NET POSITION - JANUARY 1, (PREVIOUSLY REPORTED)	3,769,137	108,000	(441,793)	1,392,914	2,578,666	42,000	(651,696)	400,241	7,197,469	7,096,429
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES			(1,794,466)				(1,453,436)		(3,247,902)	
NET POSITION - JANUARY 1, (RESTATED)	3,769,137	108,000	(2,236,259)	1,392,914	2,578,666	42,000	(2,105,132)	400,241	3,949,567	7,096,429
NET POSITION - DECEMBER 31,	$ 4,167,173	$ 108,000	$ (1,932,967)	$ 1,051,951	$ 2,567,394	$ 42,000	$ (2,263,307)	$ 469,708	4,209,952	$ 7,197,469
UNRESTRICTED NET POSITION (DEFICIT)- UNDESIGNATED-										
Cumulative Effect of the Pension Liability (GASB 68)			$ (1,041,311)				$ (843,415)			
Cumulative Effect of the OPEB Liability (GASB 65)			(1,787,147)				(1,447,508)			
Before GASB 68 and 75 Related Items			895,491				27,616			
			$ (1,932,967)				$ (2,263,307)			

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018			2017		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
ASSETS:						
CURRENT ASSETS - UNRESTRICTED:						
Cash	$ 763,017	$ 176,601	$ 939,618	$ 565,542	$ 336,332	$ 901,874
Accounts Receivable, Net of Allowance for Doubtful Accounts	156,666	104,992	261,658	155,511	96,880	252,391
Inventory	32,725	21,816	54,541	31,803	21,202	53,005
Other Receivables	14,391	7,133	21,524	6,709	3,326	10,035
Total Current Assets - Unrestricted	966,799	310,542	1,277,341	759,565	457,740	1,217,305
CURRENT ASSETS - RESTRICTED:						
Accounts Required by the General Bond Resolution:						
Cash	109,503	42,584	152,087	109,162	42,452	151,614
Other:						
Cash	1,304,786	411,769	1,716,555	1,390,568	306,779	1,697,347
Total Current Assets - Restricted	1,414,289	454,353	1,868,642	1,499,730	349,231	1,848,961
NONCURRENT ASSETS:						
Capital Assets, Net of Accumulated Depreciation	7,605,861	2,653,268	10,259,129	7,551,583	2,773,089	10,324,672
Total Noncurrent Assets	7,605,861	2,653,268	10,259,129	7,551,583	2,773,089	10,324,672
TOTAL ASSETS	9,986,949	3,418,163	13,405,112	9,810,878	3,580,060	13,390,938
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Loss on Defeasance of Debt	138	54	192	454	177	631
Deferred Amount Relating to OPEB	43,702	35,397	79,099			-
Deferred Amount Relating to Pensions	241,030	195,223	436,253	345,850	280,123	625,973
TOTAL DEFERRED OUTFLOWS OF RESOURCES	284,870	230,674	515,544	346,304	280,300	626,604

(Continued)

SCHEDULE 2

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018			2017		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
LIABILITIES:						
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:						
Accounts Payable - Operations	$ 37,745	$ 19,671	$ 57,416	$ 28,702	$ 16,351	$ 45,053
Accrued Liabilities	59,808	38,439	98,247	57,255	36,371	93,626
Total Current Liabilities Payable From Unrestricted Assets	97,553	58,110	155,663	85,957	52,722	138,679
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Revenue Bonds Payable - Current Portion	283,685	85,400	369,085	343,544	109,200	452,744
Accrued Interest Payable - Bonds and Notes	368	143	511	839	326	1,165
Developer Escrow Liability	4,296	4,295	8,591	6,334	6,334	12,668
Total Current Liabilities Payable From Restricted Assets	288,349	89,838	378,187	350,717	115,860	466,577
LONG-TERM LIABILITIES:						
Accrued Liability Pension - Non-Current Portion	22,591	18,297	40,888	21,359	17,299	38,658
Revenue Bonds Payable - Non-Current Portion	3,155,670		3,155,670	3,439,355	85,400	3,524,755
Accrued Compensated Absences	47,513	31,675	79,188	43,617	29,078	72,695
Net OPEB Liability	1,170,092	947,721	2,117,813			-
Net Pension Liability	894,346	724,380	1,618,726	1,073,381	869,390	1,942,771
Total Long-Term Liabilities	5,290,212	1,722,073	7,012,285	4,577,712	1,001,167	5,578,879
TOTAL LIABILITIES	5,676,114	1,870,021	7,546,135	5,014,386	1,169,749	6,184,135
DEFERRED INFLOWS OF RESOURCES:						
Deferred Revenue	2,048	105,790	107,838	17,627	105,837	123,464
Deferred Amount Relating to OPEB	660,757	535,184	1,195,941			0
Deferred Amount Relating to Pensions	320,223	259,367	579,590	228,891	185,391	414,282
Deferred Connection Fees	218,520	62,680	281,200	68,020	30,172	98,192
TOTAL DEFERRED INFLOWS OF RESOURCES	1,201,548	963,021	2,164,569	314,538	321,400	635,938
NET POSITION:						
Net Investment in Capital Assets	4,167,173	2,567,394	6,734,567	3,769,137	2,578,666	6,347,803
Restricted:						
Bond Reserve Fund	108,000	42,000	150,000	108,000	42,000	150,000
Unrestricted (Deficit)	(881,016)	(1,793,599)	(2,674,615)	951,121	(251,455)	699,666
TOTAL NET POSITION	$ 3,394,157	$ 815,795	$ 4,209,952	$ 4,828,258	$ 2,369,211	$ 7,197,469

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
OPERATING REVENUE:						
User Charges and Fees	$ 1,324,151	$ 716,389	$ 2,040,540	$ 1,293,936	$ 716,416	$ 2,010,352
Interest on Delinquent Accounts	28,836	13,703	42,539	28,669	13,510	42,179
Septage Fees	459,249		459,249	441,621		441,621
Connection Fees	52,500	1,512	54,012	140,000	2,268	142,268
Miscellaneous Income	423	5,197	5,620		5,198	5,198
Total Operating Revenue	1,865,159	736,801	2,601,960	1,904,226	737,392	2,641,618
OPERATING EXPENSES:						
Cost of Providing Services	888,795	504,795	1,393,590	925,641	531,298	1,456,939
Administrative and General	251,912	226,840	478,752	264,775	203,326	468,101
Depreciation	307,000	131,069	438,069	328,362	130,851	459,213
Total Operating Expenses	1,447,707	862,704	2,310,411	1,518,778	865,475	2,384,253
OPERATING INCOME (LOSS)	417,452	(125,903)	291,549	385,448	(128,083)	257,365
NON-OPERATING REVENUE (EXPENSES):						
Interest Income	21,725	2,630	24,355	8,701	3,461	12,162
Municipal Appropriation to Borough of Buena				(70,000)	(40,000)	(110,000)
Miscellaneous Income		27,212	27,212	2,428	28,846	31,274
Interest Expense	(78,812)	(3,919)	(82,731)	(84,433)	(5,328)	(89,761)
Total Non-Operating Revenue (Expenses)	(57,087)	25,923	(31,164)	(143,304)	(13,021)	(156,325)
CHANGE IN NET POSITION	360,365	(99,980)	260,385	242,144	(141,104)	101,040
NET POSITION - BEGINNING (PREVIOUSLY REPORTED)	4,828,258	2,369,211	7,197,469	4,586,114	2,510,315	7,096,429
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	(1,794,466)	(1,453,436)	(3,247,902)			
NET POSITION - BEGINNING (RESTATED)	3,033,792	915,775	3,949,567	4,586,114	2,510,315	7,096,429
NET POSITION- DECEMBER 31,	$ 3,394,157	$ 815,795	$ 4,209,952	$ 4,828,258	$ 2,369,211	$ 7,197,469

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	SEWER OPERATIONS			WATER OPERATIONS		
	2018 BUDGET	2018 ACTUAL	2017 ACTUAL	2018 BUDGET	2018 ACTUAL	2017 ACTUAL
REVENUE:						
User Charges and Fees	$ 1,262,890	$ 1,324,151	$ 1,293,936	$ 709,800	$ 716,389	$ 716,416
Interest on Delinquent Accounts	25,000	28,836	28,669	12,000	13,703	13,510
Connection Fees	7,000	52,500	140,000	1,500	1,512	2,268
Septage Fees	250,000	459,249	441,621			
Miscellaneous Operating Income	1,000	423		2,000	5,197	5,198
Miscellaneous Non-Operating Income			2,428	25,000	27,212	28,846
Interest on Investments	2,500	21,725	8,701	1,000	2,630	3,461
Total Revenue	1,548,390	1,886,884	1,915,355	751,300	766,643	769,699
EXPENSES:						
Costs of Providing Services:						
Salaries and Wages	330,790	311,556	296,740	250,700	238,348	227,947
Employee Benefits	165,786	140,227	172,850	121,061	103,526	134,557
Automotive Expenses	10,500	10,912	8,801	10,000	6,805	3,609
Office Supplies - Plant	3,000	1,964	2,123	2,000	545	547
Operating Supplies	138,500	154,147	128,690	55,000	11,137	4,988
Utilities	150,000	153,020	161,305	65,000	118,089	89,236
Repairs and Maintenance	125,000	86,550	97,423	20,000	8,046	25,228
Laboratory Supplies	8,000	8,252	4,967	4,000	2,547	2,720
Laboratory Testing	15,000	11,323	9,644	5,000	3,842	2,810
General Expense				1,000		
Public Water Tax				2,000	1,378	1,708
	946,576	877,951	882,543	535,761	494,263	493,350
Administrative and General Expenses:						
Salaries and Wages	79,629	66,658	65,914	79,629	66,370	65,480
Employee Benefits	33,305	73,066	37,892	33,305	73,044	37,860
Office Supplies and Expenses	8,000	6,737	7,022	7,000	6,673	7,022
Computer Expense	10,000	5,433	4,536	10,000	9,235	9,036
Professional Services	161,000	35,508	79,468	51,000	29,707	38,832
Insurance	27,000	23,865	21,768	20,000	15,910	13,471
Postage/Billing	6,000	3,539	3,343	6,000	3,862	3,686
Telephone	5,000	5,301	4,989	6,000	5,301	5,747
Education	5,000	5,010	4,269	4,000	4,587	3,896
Legal Advertising	1,000	1,030	1,379	1,000	728	914
Licenses, Fees, Permits and Assessments	25,000	23,066	23,420	10,000	9,237	8,655
	360,934	249,213	254,000	227,934	224,654	194,599
Interest Expense	114,160	78,497	83,993	35,787	3,796	5,157

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	SEWER OPERATIONS			WATER OPERATIONS		
	2018 BUDGET	2018 ACTUAL	2017 ACTUAL	2018 BUDGET	2018 ACTUAL	2017 ACTUAL
OTHER COSTS FUNDED BY REVENUES:						
Principal Maturities	$ 343,544	$ 343,544	$ 259,432	$ 109,200	$ 109,200	$ 77,000
Renewal and Replacement Reserves	200,000	200,000	280,000	90,000	90,000	90,000
Municipal Appropriation to Borough of Buena			70,000			40,000
	543,544	543,544	609,432	199,200	199,200	207,000
TOTAL COSTS FUNDED BY REVENUES	1,965,214	1,749,205	1,829,968	998,682	921,913	900,106
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	$ (416,824)	137,679	85,387	$ (247,382)	(155,270)	(130,407)
Reconciliation of Budgetary Basis to Change in Net Position						
Adjustments to Budgetary Basis:						
Principal Maturities		343,544	259,432		109,200	77,000
Other Reserves		200,000	280,000		90,000	90,000
Depreciation		(307,000)	(328,362)		(131,069)	(130,851)
Change in Allowance for Doubtful Accounts		(48)			(1,787)	(3,041)
Amortization Charged to Interest Expense		(315)	(440)		(123)	(171)
OPEB Expense - Difference Between GAAP vs. Budgetary:						
Administrative and General Expenses		1,464			1,186	
Cost of Providing Services		5,855			4,742	
Pension Expense - Difference Between GAAP vs. Budgetary:						
Administrative and General Expenses		(4,163)	(10,775)		(3,372)	(8,727)
Cost of Providing Services		(16,651)	(43,098)		(13,487)	(34,907)
CHANGE IN NET POSITION PER SCHEDULE 3		$ 360,365	$ 242,144		$ (99,980)	$ (141,104)

SCHEDULE 4A

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF RECONCILIATION OF BUDGETARY REVENUES AND COSTS FUNDED BY REVENUES TO CHANGE IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES (BUDGETARY BASIS):		
Sewer Operations	$ 137,679	$ 85,387
Water Operations	(155,270)	(130,407)
	(17,591)	(45,020)
Increased By:		
Principal Maturities	452,744	336,432
Other Reserves	290,000	370,000
Change in Allowance for Doubtful Accounts	(1,835)	(3,041)
	723,318	658,371
Reduced By:		
Depreciation	(438,069)	(459,213)
Amortization Charged to Interest Expense	(438)	(611)
OPEB Expense - Difference Between GAAP vs. Budgetary:		
Administrative and General Expenses	2,650	-
Cost of Providing Services	10,597	-
Pension Expense - Difference Between GAAP vs. Budgetary:		
Administrative and General Expenses	(7,535)	(19,502)
Cost of Providing Services	(30,138)	(78,005)
CHANGE IN NET POSITION PER EXHIBIT B	$ 260,385	$ 101,040

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2013
DECEMBER 31, 2018

ORIGINAL		MATURITIES			BALANCE			BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2018	ISSUED 2018	PAID 2018	DECEMBER 31, 2018
6/28/2013	$ 3,549,000	2.125%	2019	$ 64,085	$ 3,282,499	$ -	$ 62,744	$ 3,219,755
			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				
					$ 3,282,499	$ -	$ 62,744	$ 3,219,755

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE REFUNDING BONDS PAYABLE - SERIES 2014
DECEMBER 31, 2018

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS

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

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

<u>Other Officials</u>

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

<u>Surety Company</u>

New Jersey Utility Authorities Joint Insurance Fund

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018

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, 2018

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.