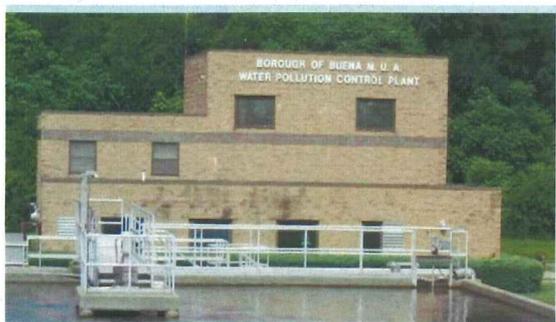


BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010



*Borough of Buena
Municipal Utilities Authority*



BOROUGH OF BUENA
MUNICIPAL UTILITIES AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2011 AND 2010

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010

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BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, Atlantic County, New Jersey, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Borough of Buena Municipal Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2011 and 2010, and the changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considered 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 audits 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Buena Municipal Utilities Authority's financial statements, as a whole. The information included in the supplementary schedules is not a required part of the financial statements, but is presented as additional analytical data. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

September 26, 2012

**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 the financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, Atlantic County, New Jersey, as of and for the year ended December 31, 2011, and have issued our report thereon dated September 26, 2012. 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.

Internal Control over Financial Reporting

Management of Borough of Buena Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Buena Municipal Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

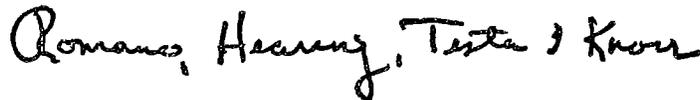
As part of obtaining reasonable assurance about whether the Borough of Buena Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which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

We noted certain matters that we reported to management of the Borough of Buena Municipal Utilities Authority, in a separate letter dated September 26, 2012.

This report is intended solely for the information and use of management and Commissioners of the Borough of Buena Municipal Utilities Authority and the State of New Jersey Division of Local Government Services and federal and state awarding entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

ROMANO, HEARING, TESTA & KNORR

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

Certified Public Accountants

September 26, 2012

REQUIRED SUPPLEMENTARY INFORMATION

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, 2011. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and finally, supplementary information.

REQUIRED FINANCIAL STATEMENTS

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

The *Balance Sheet* includes all of the Authority's assets and liabilities 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 Assets*. 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 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 Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question.

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

SEWER OPERATION

FINANCIAL HIGHLIGHTS OPERATIONS

- The Net Capital Assets of the Authority's Sewer Operation total \$4.55 million, which is a (\$.50) million or (9.88%) decrease from 2010.
- The Total Assets of the Authority's Sewer Operation are \$9.89 million, which is a \$2.90 million or 41.32% increase from 2010.
- During the year, the operating revenues of the Authority's Sewer Operation were \$1.22 million which is a \$.31 million or 20.4% decrease from 2010 and its operating expenses decreased by \$.03 million to \$1.20 million compared to 2010.

The total net assets of the Authority's Sewer Operation decreased from last year by \$.61 million. The analysis below focuses on the Sewer Operation's net assets (Table 1A) and changes in net assets (Table 2A) during the year.

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

| | 2011 | 2010 | 2009 | 2011-2010 | | 2010-2009 | |
|-----------------------------|----------|----------|----------|--------------------------|----------|--------------------------|----------|
| | | | | Increase(Decrease) \$ | % | Increase(Decrease) \$ | % |
| Current Assets | \$ 468 | \$ 692 | \$ 709 | \$ (224) | (32.37%) | \$ (17) | (2.40%) |
| Noncurrent Assets | 9,419 | 6,304 | 6,494 | 3,115 | 49.41% | (190) | (2.93%) |
| Total Assets | 9,887 | 6,996 | 7,203 | 2,891 | 41.32% | (207) | (2.87%) |
| Current Liabilities | 344 | 236 | 211 | 108 | 45.76% | 25 | 11.85% |
| Current Liabilities Payable | | | | | | | |
| From Restricted Assets | 4,199 | 509 | 511 | 3,690 | 724.95% | (2) | (0.39%) |
| Long-Term Liabilities | 1,922 | 2,222 | 2,660 | (300) | (13.50%) | (438) | (16.47%) |
| Total Liabilities | 6,465 | 2,967 | 3,382 | 3,498 | 117.90% | (415) | (12.27%) |
| Invested in Capital Assets | | | | | | | |
| Net of Related Debt | 2,747 | 2,954 | 2,685 | (207) | (7.01%) | 269 | 10.02% |
| Restricted Net Assets | 306 | 304 | 314 | 2 | 0.66% | (10) | (3.18%) |
| Unrestricted Net Assets | 369 | 771 | 822 | (402) | (52.14%) | (51) | (6.20%) |
| Total Net Assets | \$ 3,422 | \$ 4,029 | \$ 3,821 | \$ (607) | (15.07%) | \$ 208 | 5.44% |

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

The increase in noncurrent assets is due to the increases in restricted cash and other assets and decrease in interest receivable.

The increase in current liabilities payable from unrestricted assets is due to the increases in accrued liabilities payable, inter-fund payable and deferred revenue and decrease in accounts payable and unearned connection fees. The increase in current liabilities payable from restricted assets is the net result of increases in accounts payable-restricted, contracts payable, due to unrestricted, project notes payable and accrued interest payable on revenue bonds and notes and the decrease in the current portion of revenue bonds payable.

The decrease in long-term liabilities is due to the decrease of principal maturities of revenue bonds payable and New Jersey Environmental Infrastructure Trust Loans payable together with a decrease in accrued compensated absences.

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

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

| | 2011 | 2010 | 2009 | 2011-2010 | | 2010-2009 | |
|----------------------------|-----------------|-----------------|-----------------|--------------------|-----------|--------------------|----------|
| | | | | Increase(Decrease) | | Increase(Decrease) | |
| | | | | \$ | % | \$ | % |
| Operating Revenue | | | | | | | |
| User Charges & Fees | \$ 968 | \$ 978 | \$ 963 | \$ (10) | (1.02%) | \$ 15 | 1.56% |
| Septage Fees | 235 | 535 | 440 | (300) | (56.07%) | 95 | 21.59% |
| Other Operating | 21 | 24 | 25 | (3) | (12.50%) | (1) | (4.00%) |
| Nonoperating Revenue | 59 | 52 | 231 | 7 | 13.46% | (179) | (77.49%) |
| Total Revenue | 1,283 | 1,589 | 1,659 | (306) | (19.26%) | (70) | (4.22%) |
| Operating Expenses | | | | | | | |
| Cost of Providing Services | 727 | 770 | 712 | (43) | (5.58%) | 58 | 8.15% |
| Administrative and General | 210 | 200 | 177 | 10 | 5.00% | 23 | 12.99% |
| Depreciation | 265 | 264 | 253 | 1 | 0.38% | 11 | 4.35% |
| Non Operating Expense | | | | | | | |
| Int, Amort & Project Aband | 688 | 147 | 168 | 541 | 368.03% | (21) | (12.50%) |
| Total Expenses | 1,890 | 1,381 | 1,310 | 509 | 36.86% | 71 | 5.42% |
| Change in Net Assets | (607) | 208 | 349 | (815) | (391.83%) | (141) | (40.40%) |
| Beginning Net Assets | 4,029 | 3,821 | 3,472 | 208 | 5.44% | 349 | 10.05% |
| Ending Net Assets | <u>\$ 3,422</u> | <u>\$ 4,029</u> | <u>\$ 3,821</u> | <u>\$ (607)</u> | (15.07%) | <u>\$ 208</u> | 5.44% |

REVENUES AND EXPENSES

The total revenues of the Authority's Sewer Operation are approximately \$1.28 million for the year ended December 31, 2011. User Charges and Fees were \$.97 million, accounting for 75% of total revenue. Septage Fees were \$.24 million, accounting for 19% of total revenue. Operating expenses include cost of providing services, which totaled \$.73 million, a decrease of \$.04 million from the prior year, and administrative and general expenses of \$.21 million, a \$.01 million increase compared to last year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2011, the Authority's Sewer Operation had \$4.55 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.26 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, 2011.

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

| | 2011 | 2010 | 2009 | 2011-2010 | | 2010-2009 | |
|---|-----------------|-----------------|-----------------|--------------------|----------------|--------------------|----------------|
| | | | | Increase(Decrease) | | Increase(Decrease) | |
| | | | | \$ | % | \$ | % |
| Land | \$ 403 | \$ 22 | \$ 22 | \$ 381 | 1731.82% | \$ - | |
| Treatment Plant and Facilities | 2,256 | 2,403 | 2,553 | (147) | (6.12%) | (150) | (5.88%) |
| Pumping Stations and Interceptors and Improvements | 1,337 | 1,393 | 1,396 | (56) | (4.02%) | (3) | (0.21%) |
| Machinery and Equipment | 263 | 287 | 343 | (24) | (8.36%) | (56) | (16.33%) |
| Construction in Progress | 292 | 945 | 890 | (653) | (69.10%) | 55 | 6.18% |
| Total | <u>\$ 4,551</u> | <u>\$ 5,050</u> | <u>\$ 5,204</u> | <u>\$ (499)</u> | <u>(9.88%)</u> | <u>\$ (154)</u> | <u>(2.96%)</u> |

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

| | |
|--------------------------------|--------|
| Land | \$ 381 |
| Machinery and Equipment | 38 |
| Construction in Progress (net) | (653) |

The Authority's FY 2012 capital budget plans for investing another \$4.66 million in capital projects, including the following (in thousands):

| | |
|----------------------------------|-----------------|
| Upgrade and Expansion | \$ 4,609 |
| Plant Operating/Office Equipment | 25 |
| Lines and Laterals | 25 |
| Total | <u>\$ 4,659</u> |

The Authority plans on funding those capital projects using a combination of existing cash, including reserves, year 2012 revenue, and cost reimbursement from grant and/or loan funds.

Debt Administration

At December 31, 2011, the Authority's Sewer Operation had several outstanding bond issues and notes payable in the amount of \$5,814,522 that mature in various amounts through the year 2019 with interest rates ranging from 0% to 5.0%. The Authority also has accrued compensated absences in the amount of \$25,968. More detailed information about long-term liabilities can be found in Note 8 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The budget for the year 2012 includes a \$100 per unit rate increase for residential user charges and fees setting the rate at \$525 per unit per year. In addition, commercial sewer users are billed based on flow. Budgeted connection fees for new customers remain the same at \$3,500/unit.

WATER OPERATION

FINANCIAL HIGHLIGHTS OPERATIONS

- The Net Capital Assets of the Authority's Water Operation total \$3.18 million, which is a (\$.118) million or 3.57% decrease from 2010.
- The Total Assets of the Authority's Water Operation decreased 3.94% from the prior year to \$4.02 million.
- During the year, the operating revenues of the Authority's Water Operation were \$.75 million which is a \$.003 million or .4% decrease from 2010 and operating expenses were \$.77 million, which is a .75% increase from 2010.

The total net assets of the Authority's Water Operation decreased from last year by \$.013 million. The analysis below focuses on the Water Operation's net assets (Table 1B) and changes in net assets (Table 2B) during the year.

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

| | 2011 | 2010 | 2009 | 2011-2010 | | 2010-2009 | |
|-----------------------------|-----------------|-----------------|-----------------|--------------------|----------|--------------------|----------|
| | | | | Increase(Decrease) | | Increase(Decrease) | |
| | | | | \$ | % | \$ | % |
| Current Assets | \$ 384 | \$ 458 | \$ 458 | \$ (74) | (16.16%) | \$ - | 0.00% |
| Noncurrent Assets | <u>3,641</u> | <u>3,732</u> | <u>3,855</u> | <u>(91)</u> | (2.44%) | <u>(123)</u> | (3.19%) |
| Total Assets | <u>4,025</u> | <u>4,190</u> | <u>4,313</u> | <u>(165)</u> | (3.94%) | <u>(123)</u> | (2.85%) |
| Current Liabilities | 148 | 163 | 170 | (15) | (9.20%) | (7) | (4.12%) |
| Current Liabilities Payable | | | | | | | |
| From Restricted Assets | 89 | 150 | 147 | (61) | (40.67%) | 3 | 2.04% |
| Long-Term Liabilities | <u>584</u> | <u>660</u> | <u>794</u> | <u>(76)</u> | (11.52%) | <u>(134)</u> | (16.88%) |
| Total Liabilities | <u>821</u> | <u>973</u> | <u>1,111</u> | <u>(152)</u> | (15.62%) | <u>(138)</u> | (12.42%) |
| Invested in Capital Assets | | | | | | | |
| Net of Related Debt | 2,749 | 2,733 | 2,716 | 16 | 0.59% | 17 | 0.63% |
| Restricted Net Assets | 194 | 194 | 194 | - | 0.00% | - | 0.00% |
| Unrestricted Net Assets | <u>261</u> | <u>290</u> | <u>292</u> | <u>(29)</u> | (10.00%) | <u>(2)</u> | (0.68%) |
| Total Net Assets | <u>\$ 3,204</u> | <u>\$ 3,217</u> | <u>\$ 3,202</u> | <u>\$ (13)</u> | (0.40%) | <u>\$ 15</u> | 0.47% |

Total current assets decreased due to the decreases in cash, interest receivable and inventory and the increases in inter-fund receivable.

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

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

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

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

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

| | 2011 | 2010 | 2009 | 2011-2010 | | 2010-2009 | |
|----------------------------|----------|----------|----------|--------------------|-----------|--------------------|----------|
| | | | | Increase(Decrease) | | Increase(Decrease) | |
| | | | | \$ | % | \$ | % |
| Operating Revenue | | | | | | | |
| User Charges & Fees | \$ 729 | \$ 735 | \$ 703 | \$ (6) | (0.82%) | \$ 32 | 4.55% |
| Other Operating | 21 | 18 | 14 | 3 | 16.67% | 4 | - |
| Nonoperating Revenue | 47 | 73 | 86 | (26) | (35.62%) | (13) | (15.12%) |
| Total Revenue | 797 | 826 | 803 | (29) | (3.51%) | 23 | 2.86% |
| Operating Expenses | | | | | | | |
| Cost of Providing Services | 445 | 448 | 445 | (3) | (0.67%) | 3 | 0.67% |
| Administrative and General | 190 | 182 | 157 | 8 | 4.40% | 25 | 15.92% |
| Depreciation | 132 | 131 | 127 | 1 | 0.76% | 4 | 3.15% |
| Non Operating Expense | | | | | | | |
| Interest and Amortization | 43 | 50 | 58 | (7) | (14.00%) | (8) | (13.79%) |
| Total Expenses | 810 | 811 | 787 | (1) | (0.12%) | 24 | 3.05% |
| Change in Net Assets | (13) | 15 | 16 | (28) | (186.67%) | (1) | (6.25%) |
| Beginning Net Assets | 3,217 | 3,202 | 3,186 | 15 | 0.47% | 16 | 0.50% |
| Ending Net Assets | \$ 3,204 | \$ 3,217 | \$ 3,202 | \$ (13) | (0.40%) | \$ 15 | 0.47% |

REVENUES AND EXPENSES

The total revenues of the Authority's Water Operation are approximately \$.80 million for the year ended December 31, 2011. User Charges and Fees were \$.73 million, accounting for 91% of total revenue. Operating expenses include cost of providing services, which totaled \$.45 million, a \$.003 million decrease, and administrative and general expenses of \$.19 million, a \$.008 million increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2011, the Authority's Water Operation had \$3.18 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.13 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, 2011.

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

| | 2011 | 2010 | 2009 | 2011-2010 | | 2010-2009 | |
|---------------------------|-----------------|-----------------|-----------------|--------------------------|----------------|--------------------------|----------------|
| | | | | Increase(Decrease) \$ | % | Increase(Decrease) \$ | % |
| Land | \$ 4 | \$ 4 | \$ 4 | \$ - | - | \$ - | - |
| Water Distribution System | 3,139 | 3,246 | 3,357 | (107) | (3.30%) | (111) | (3.31%) |
| Machinery and Equipment | 32 | 42 | 43 | (11) | (25.00%) | (1) | (2.33%) |
| Total | \$ 3,175 | \$ 3,292 | \$ 3,404 | \$ (118) | (3.57%) | \$ (112) | (3.29%) |

This year's additions (in thousands) include:

| | |
|---------------------------|-------|
| Water Distribution System | \$ 14 |
|---------------------------|-------|

The Authority's FY 2012 capital budget plans for investing another \$.04 million in capital projects, including the following (in thousands):

| | |
|----------------------------------|--------------|
| Plant Operating/Office Equipment | \$ 20 |
| Other Budgeted Capital | 20 |
| Total | \$ 40 |

The Authority plans on funding those capital projects using existing cash, including reserves and 2012 revenue.

Debt Administration

At December 31, 2011, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$660,800 that matures in various amounts through the year 2019 with interest rates ranging from 3.4% to 4.3%. The Authority also has accrued compensated absences in the amount of \$32,327. More detailed information about long-term liabilities can be found in Note 8 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The budget for the year 2012 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

EXHIBIT A

ASSETS

| | 2011 | | | 2010 | | |
|---|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| | Sewer Operation | Water Operation | Total | Sewer Operation | Water Operation | Total |
| CURRENT ASSETS - UNRESTRICTED: | | | | | | |
| Cash | \$ 142,925 | \$ 107,890 | \$ 250,815 | \$ 491,654 | \$ 328,050 | \$ 819,704 |
| Accounts Receivable | 94,889 | 104,501 | 199,390 | 118,335 | 97,283 | 215,618 |
| Interest Receivable | 1 | | 1 | 342 | 26 | 368 |
| Other Receivable | | | - | 37,618 | 10,523 | 48,141 |
| Prepaid Expenses | 81,534 | | 81,534 | 11,670 | | 11,670 |
| Interfund Receivable | | 152,233 | 152,233 | | | - |
| Due from Restricted | 119,047 | | 119,047 | | | - |
| Inventory | 29,660 | 19,773 | 49,433 | | | - |
| Total Current Assets - Unrestricted | <u>468,056</u> | <u>384,397</u> | <u>852,453</u> | <u>692,380</u> | <u>457,723</u> | <u>1,150,103</u> |
| NONCURRENT ASSETS: | | | | | | |
| Restricted: | | | | | | |
| Accounts Required by the General Bond Resolution: | | | | | | |
| Cash | 417,036 | 251,662 | 668,698 | 373,854 | 222,188 | 596,042 |
| Investments | 518,400 | 201,600 | 720,000 | 518,400 | 201,600 | 720,000 |
| Interest Receivable | 1,280 | 498 | 1,778 | 1,891 | 736 | 2,627 |
| Other: | | | | | | |
| Cash | 3,871,920 | | 3,871,920 | 319,457 | | 319,457 |
| Total Restricted Assets | <u>4,808,636</u> | <u>453,760</u> | <u>5,262,396</u> | <u>1,213,602</u> | <u>424,524</u> | <u>1,638,126</u> |
| Capital Assets, Net | 4,551,876 | 3,174,046 | 7,725,922 | 5,050,227 | 3,291,888 | 8,342,115 |
| Unamortized Debt Issue Costs | 58,590 | 12,706 | 71,296 | 40,487 | 15,745 | 56,232 |
| Total Noncurrent Assets | <u>9,419,102</u> | <u>3,640,512</u> | <u>13,059,614</u> | <u>6,304,316</u> | <u>3,732,157</u> | <u>10,036,473</u> |
| TOTAL ASSETS | <u>\$ 9,887,158</u> | <u>\$ 4,024,909</u> | <u>\$ 13,912,067</u> | <u>\$ 6,996,696</u> | <u>\$ 4,189,880</u> | <u>\$ 11,186,576</u> |

See Accompanying Notes to Financial Statements

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

EXHIBIT A

LIABILITIES AND FUND EQUITY

| | 2011 | | | 2010 | | |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| | Sewer Operation | Water Operation | Total | Sewer Operation | Water Operation | Total |
| CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS: | | | | | | |
| Accounts Payable - Operations | \$ 10,213 | \$ 101 | \$ 10,314 | \$ 12,002 | \$ 4,250 | \$ 16,252 |
| Accrued Liabilities | 29,694 | 15,361 | 45,055 | 29,113 | 15,061 | 44,174 |
| Interfund Payable | 152,233 | | 152,233 | | | - |
| Deferred Revenue | 1,107 | 103,892 | 104,999 | 3,601 | 107,167 | 110,768 |
| Unearned Connection Fees | 151,172 | 28,328 | 179,500 | 191,672 | 36,644 | 228,316 |
| Total Current Liabilities Payable From Unrestricted Assets | 344,419 | 147,682 | 492,101 | 236,388 | 163,122 | 399,510 |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS: | | | | | | |
| Accounts Payable - Restricted | 20,428 | | 20,428 | | | - |
| Contracts Payable | 156,024 | | 156,024 | | | - |
| Due to Unrestricted | 119,047 | | 119,047 | | | - |
| Project Note Payable | 3,549,000 | | 3,549,000 | | | - |
| Revenue Bonds Payable - Current Portion | 313,845 | 86,800 | 400,645 | 470,173 | 147,000 | 617,173 |
| Accrued Interest Payable - Bonds and Notes | 13,874 | 2,166 | 16,040 | 11,693 | 2,578 | 14,271 |
| Developer Escrow Liability | 26,607 | | 26,607 | 26,707 | | 26,707 |
| Total Current Liabilities Payable From Restricted Assets | 4,198,825 | 88,966 | 4,287,791 | 508,573 | 149,578 | 658,151 |
| LONG-TERM LIABILITIES: | | | | | | |
| Revenue Bonds Payable - Non-Current Portion | 1,895,855 | 552,292 | 2,448,147 | 2,185,925 | 629,846 | 2,815,771 |
| Accrued Compensated Absences | 25,968 | 32,327 | 58,295 | 36,581 | 30,525 | 67,106 |
| Total Long-Term Liabilities | 1,921,823 | 584,619 | 2,506,442 | 2,222,506 | 660,371 | 2,882,877 |
| Total Liabilities | 6,465,067 | 821,267 | 7,286,334 | 2,967,467 | 973,071 | 3,940,538 |
| NET ASSETS: | | | | | | |
| Invested in Capital Net Assets, Net of Related Debt Restricted: | 2,746,754 | 2,749,554 | 5,496,308 | 2,953,769 | 2,732,679 | 5,686,448 |
| Current Debt Service Operations | 35,592 | 10,695 | 46,287 | 35,654 | 10,776 | 46,430 |
| Unrestricted | 270,373 | 182,606 | 452,979 | 268,535 | 183,417 | 451,952 |
| | 369,372 | 260,787 | 630,159 | 771,271 | 289,937 | 1,061,208 |
| Total Net Assets | 3,422,091 | 3,203,642 | 6,625,733 | 4,029,229 | 3,216,809 | 7,246,038 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 9,887,158 | \$ 4,024,909 | \$ 13,912,067 | \$ 6,996,696 | \$ 4,189,880 | \$ 11,186,576 |

See Accompanying Notes to Financial Statements

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010

| | 2011 | | | 2010 | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Sewer Operation | Water Operation | Total | Sewer Operation | Water Operation | Total |
| OPERATING REVENUE: | | | | | | |
| User Charges and Fees | \$ 967,918 | \$ 729,187 | \$ 1,697,105 | \$ 978,327 | \$ 735,225 | \$ 1,713,552 |
| Interest on Delinquent Accounts | 21,191 | 13,615 | 34,806 | 21,241 | 13,941 | 35,182 |
| Septage Fees | 235,335 | | 235,335 | 534,828 | | 534,828 |
| Miscellaneous Income | | 7,357 | 7,357 | 3,335 | 4,261 | 7,596 |
| Total Operating Revenue | 1,224,444 | 750,159 | 1,974,603 | 1,537,731 | 753,427 | 2,291,158 |
| OPERATING EXPENSES: | | | | | | |
| Cost of Providing Services | 726,662 | 445,205 | 1,171,867 | 770,331 | 447,557 | 1,217,888 |
| Administrative and General | 209,657 | 189,895 | 399,552 | 200,159 | 182,555 | 382,714 |
| Depreciation | 264,604 | 132,069 | 396,673 | 263,900 | 131,212 | 395,112 |
| Total Operating Expenses | 1,200,923 | 767,169 | 1,968,092 | 1,234,390 | 761,324 | 1,995,714 |
| OPERATING INCOME (LOSS) | 23,521 | (17,010) | 6,511 | 303,341 | (7,897) | 295,444 |
| NON-OPERATING REVENUE (EXPENSES): | | | | | | |
| Connection Fees | 51,000 | 4,033 | 55,033 | 40,674 | 12,474 | 53,148 |
| Interest Income | 7,577 | 3,581 | 11,158 | 11,188 | 5,288 | 16,476 |
| Miscellaneous Income | | 39,387 | 39,387 | | 54,773 | 54,773 |
| Abandonment of Project | (563,468) | | (563,468) | | | - |
| Interest Expense | (117,956) | (40,120) | (158,076) | (138,199) | (46,843) | (185,042) |
| Amortization of Debt Issue Costs | (7,812) | (3,038) | (10,850) | (8,963) | (3,485) | (12,448) |
| Total Non-Operating Revenue (Expenses) | (630,659) | 3,843 | (626,816) | (95,300) | 22,207 | (73,093) |
| CHANGE IN NET ASSETS | (607,138) | (13,167) | (620,305) | 208,041 | 14,310 | 222,351 |
| NET ASSETS - BEGINNING | 4,029,229 | 3,216,809 | 7,246,038 | 3,821,188 | 3,202,499 | 7,023,687 |
| NET ASSETS- ENDING | \$ 3,422,091 | \$ 3,203,642 | \$ 6,625,733 | \$ 4,029,229 | \$ 3,216,809 | \$ 7,246,038 |

See Accompanying Notes to Financial Statements

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

| | 2011 | | | 2010 | | |
|--|---------------------|--------------------|---------------------|---------------------|--------------------|---------------------|
| | Sewer Operation | Water Operation | Total | Sewer Operation | Water Operation | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Cash Received from Customers and Users | \$ 1,246,541 | \$ 732,309 | \$ 1,978,850 | \$ 1,512,044 | \$ 737,059 | \$ 2,249,103 |
| Cash Payments to Suppliers for Goods and Services | (428,972) | (246,010) | (674,982) | (502,561) | (264,136) | (766,697) |
| Cash Payments for Employee Services | (498,741) | (391,140) | (889,881) | (460,086) | (366,953) | (827,039) |
| Other Receipts (Payments) | (72,407) | 58,738 | (13,669) | (52,489) | 41,399 | (11,090) |
| Net Cash Provided by Operating Activities | <u>246,421</u> | <u>153,897</u> | <u>400,318</u> | <u>496,908</u> | <u>147,369</u> | <u>644,277</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Acquisition and Construction of Capital Assets | (173,698) | (14,226) | (187,924) | (114,948) | (18,620) | (133,568) |
| Connection Fees Received | 10,500 | 1,756 | 12,256 | 57,750 | 5,158 | 62,908 |
| Proceeds from Issuance of Project Notes | 3,549,000 | | 3,549,000 | | | |
| Principal Paid on Bonds and Notes | (470,173) | (147,000) | (617,173) | (456,369) | (144,200) | (600,569) |
| Interest Paid on Bonds and Notes | (95,865) | (31,286) | (127,151) | (110,346) | (35,792) | (146,138) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>2,819,764</u> | <u>(190,756)</u> | <u>2,629,008</u> | <u>(623,913)</u> | <u>(193,454)</u> | <u>(817,367)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Interest Received on Investments | 8,529 | 3,931 | 12,460 | 12,594 | 5,665 | 18,259 |
| Proceeds from Maturities of Investment Securities | 1,785,002 | 469,442 | 2,254,444 | 1,756,800 | 883,200 | 2,640,000 |
| Purchase of Investment Securities | (1,612,800) | (627,200) | (2,240,000) | (1,606,800) | (733,200) | (2,340,000) |
| Net Cash Provided by (Used in) Investing Activities | <u>180,731</u> | <u>(153,827)</u> | <u>26,904</u> | <u>162,594</u> | <u>155,665</u> | <u>318,259</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,246,916 | (190,686) | 3,056,230 | 35,589 | 109,580 | 145,169 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>1,184,965</u> | <u>550,238</u> | <u>1,735,203</u> | <u>1,149,376</u> | <u>440,658</u> | <u>1,592,376</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 4,431,881</u> | <u>\$ 359,552</u> | <u>\$ 4,791,433</u> | <u>\$ 1,184,965</u> | <u>\$ 550,238</u> | <u>\$ 1,737,545</u> |

See Accompanying Notes to Financial Statements

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

| | 2011 | | | 2010 | | |
|--|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
| | Sewer Operation | Water Operation | Total | Sewer Operation | Water Operation | Total |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | | | |
| Operating Income (Loss) | \$ 23,521 | \$ (17,010) | \$ 6,511 | \$ 303,341 | \$ (7,897) | \$ 295,444 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | | | |
| Depreciation | 264,604 | 132,069 | 396,673 | 263,900 | 131,212 | 395,112 |
| Miscellaneous Income | | 39,387 | 39,387 | | 54,773 | 54,773 |
| Increase (Decrease) in Cash Resulting From Changes in: | | | | | | |
| Accounts Receivable | 23,446 | (7,218) | 16,228 | (23,701) | (23,306) | (47,007) |
| Inventory | 3,101 | 2,068 | 5,169 | 666 | 444 | 1,110 |
| Other Receivables | 37,618 | 10,523 | 48,141 | (37,618) | (10,523) | (48,141) |
| Prepaid Expenses | (69,864) | | (69,864) | (11,670) | | (11,670) |
| Accounts Payable | (22,217) | (4,149) | (26,366) | 893 | (6,392) | (5,499) |
| Accrued Liabilities | (581) | (300) | (881) | 4,187 | 3,473 | 7,660 |
| Accrued Compensated Absences | (10,613) | 1,802 | (8,811) | 2,761 | 1,942 | 4,703 |
| Developer Escrow Liability | (100) | | (100) | (9,452) | | (9,452) |
| Deferred Revenue | (2,494) | (3,275) | (5,769) | 3,601 | 3,643 | 7,244 |
| Total Adjustments | 222,900 | 170,907 | 393,807 | 193,567 | 155,266 | 348,833 |
| Net Cash Provided by Operating Activities | \$ 246,421 | \$ 153,897 | \$ 400,318 | \$ 496,908 | \$ 147,369 | \$ 644,277 |

NOTES TO THE FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 **GENERAL**

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

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

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

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Financial Reporting Entity

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

B. Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

D. Budgets and Budgetary Accounting

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

E. Allocation of Common Costs

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable

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

G. Grants

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

Grants externally restricted for non-operating purposes are recorded as capital contributions.

H. Capital Assets

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

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

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

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted and Unrestricted Accounts

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

| <u>Account</u> | <u>Amount</u> | <u>Use for Which Restricted if any</u> |
|--------------------------------|---|---|
| Revenue Fund | All revenue received by the Authority | Transfers to the various accounts described below. |
| Operating Fund | An amount equal to the amount appropriated for operating expenses in the annual budget for the following three month period. | Payment of Operating Expenses. |
| Rebate Fund | Amount sufficient to pay any rebate amount determined by the Authority to be due to the United States of America. | Payment of Arbitrage earnings to the United States of America. |
| Bond Service Fund | An amount equal to the interest plus the principal installment then due and unpaid, plus, all interest payable on the next interest payment date and depending on the calculation date, either one-half or the full amount of principal due on the next principal installment date. | Payment of debt service for the bonds. |
| Bond Reserve Fund | An amount equal to the maximum annual debt service in any current or future fiscal year for outstanding bonds. | To make up any deficiencies in the bond service fund and sinking fund to the extent needed. |
| Subordinated Indebtedness Fund | Not currently applicable. | |
| General Fund | Any funds available after the requirements for the other funds have been met. | To meet the requirements of the other funds. If all other fund requirements have been met, any lawful purpose of the Authority. |

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted and Unrestricted Accounts (Continued)

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

Renewal and Replacement account restricted for equipment renewal or replacement.

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

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

J. Inventory

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

K. Bond Discounts, Debt Issuance Costs and Deferred Amount on Refunding

Bond discounts and debt issuance costs arising from the issuance of debt are amortized over the life of the issue based upon the interest method. The deferred amount on refunding is being amortized over the remaining life of the old debt or new debt whichever is shorter based upon the interest method. Bonds payable are reported net of the applicable bond discount and deferred amount on refunding. Debt issuance costs are reported as noncurrent assets.

L. Cash and Cash Equivalents and Investments

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

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Cash and 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.

M. Subsequent Events

Management has evaluated subsequent events through September 26, 2012, the date the financial statements were available for issue.

N. 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 3 CASH AND CASH EQUIVALENTS

At December 31, 2011 the carrying amount and bank balance of the Authority's time and demand deposits were \$4,272,979 and \$4,291,193, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

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, as described in Note 1, N.J.S.A. 17:41 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. As of December 31, 2011, all of the Authority's bank balance of \$4,291,193 was insured or collateralized.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2011 the Authority had \$293,026 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

In addition to the bank deposits described above, the Authority also had \$225,428 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

NOTE 4 INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. At December 31, 2011 and 2010, the Authority invested \$720,000 and \$720,000 in certificates of deposits which were held in the name of the Authority.

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

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

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2011 and 2010 consists of the following:

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|-------------------|-------------------|
| Customer Accounts Receivable: | | |
| Sewer | \$ 92,178 | \$ 101,797 |
| Water | 130,080 | 121,249 |
| Septage Hauler Receivables | <u>26,014</u> | <u>45,871</u> |
| | 248,272 | 268,917 |
| Less: Allowance for Doubtful Accounts | <u>(48,882)</u> | <u>(53,299)</u> |
| | <u>\$ 199,390</u> | <u>\$ 215,618</u> |

NOTE 6 CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2011 was as follows:

| | Balance <u>January 1, 2011</u> | Additions | Reductions | Balance <u>December 31, 2011</u> |
|---|-----------------------------------|-------------------|-------------------|-------------------------------------|
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 26,279 | \$ 381,939 | \$ | \$ 408,218 |
| Construction in Progress | <u>945,407</u> | <u>291,537</u> | <u>945,407</u> | <u>291,537</u> |
| Total Non-Depreciable Capital Assets | <u>971,686</u> | <u>673,476</u> | <u>945,407</u> | <u>699,755</u> |
| Depreciable Capital Assets: | | | | |
| Treatment Plant and Facilities | 5,171,510 | | | 5,171,510 |
| Pumping Stations, Interceptors and Improvements | 2,646,004 | | | 2,646,004 |
| Machinery and Equipment | 2,490,807 | 38,184 | | 2,528,991 |
| Water Distribution System | <u>5,420,434</u> | <u>14,227</u> | | <u>5,434,661</u> |
| Total Depreciable Capital Assets | <u>15,728,755</u> | <u>52,411</u> | | <u>15,781,166</u> |
| Less: Accumulated Depreciation for: | | | | |
| Treatment Plant and Facilities | 2,768,668 | 147,121 | | 2,915,789 |
| Pumping Stations, Interceptors and Improvements | 1,252,892 | 56,314 | | 1,309,206 |
| Machinery and Equipment | 2,162,428 | 71,637 | | 2,234,065 |
| Water Distribution System | <u>2,174,338</u> | <u>121,601</u> | | <u>2,295,939</u> |
| Total Accumulated Depreciation | <u>8,358,326</u> | <u>396,673</u> | | <u>8,754,999</u> |
| Depreciable Capital Assets, Net | <u>7,370,429</u> | <u>(344,262)</u> | | <u>7,026,167</u> |
| Total Capital Assets, Net | <u>\$ 8,342,115</u> | <u>\$ 329,214</u> | <u>\$ 945,407</u> | <u>\$ 7,725,922</u> |

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the years ended December 31, 2011 and 2010 was charged to:

| | <u>2011</u> | <u>2010</u> |
|-----------------|-------------------|-------------------|
| Sewer Operation | \$ 264,604 | \$ 263,900 |
| Water Operation | <u>132,069</u> | <u>131,212</u> |
| | <u>\$ 396,673</u> | <u>\$ 395,112</u> |

NOTE 7 PENSIONS

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

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

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

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

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Through October 1, 2011, members contributed at a uniform rate of 5.5% of their annual covered salary. Effective October 1, 2011, pursuant to the provisions of Chapter 78, P.L. 2011, member contributions increased to 6.5% of the member's annual covered salary. A further increase, from 6.5% to 7.5%, is scheduled to be phased in equally each year (0.14% per year) beginning July 2012 until the 7.5% is reached in July 2018. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 7 PENSIONS (CONTINUED)

For 2011 and 2010 the Authority had annual pension cost of \$58,353 and \$50,379, respectively.

Three Year Trend Information for PERS

| <u>Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------|--------------------------------------|--|-----------------------------------|
| 12/31/11 | \$ 58,353 | 100% | \$ - |
| 12/31/10 | 50,379 | 100% | - |
| 12/31/09 | 40,816 | 100% | - |

NOTE 8 LONG-TERM DEBT

A. Project Note Payable

In November 2011, the Authority issued Project Notes in the amount of \$3,549,000, in anticipation of permanent financing of bonds to be issued to the USDA Rural Development to finance the Authority's construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. The interest rate is .75% per annum and the Note matures November 8, 2012.

B. Bonds Payable

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

The outstanding balance of the Series 2003A Bonds consists of serial bonds that mature annually to 2019 in various amounts ranging from \$245,000 to \$405,000 with interest rates ranging from 3.60% to 4.30% per annum.

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 8 LONG-TERM DEBT (CONTINUED)

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

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

The Series 2003L Bonds are non-interest bearing and mature in various amounts from 2012 through 2017.

The Series 2003T Bonds mature in various amounts ranging from \$50,000 in 2011 to \$65,000 in 2017 with an interest rate of 5.00% per annum.

C. Compensated Absences

Current policy allows employees who retire from the Authority via PERS will be reimbursed for fifty percent (50%) of accrued sick leave up to a maximum of \$12,000, calculated at the then current rate.

The following is a summary of changes in debt liabilities for the year ended December 31, 2011:

| <u>Type of Debt</u> | <u>Balance</u> <u>January 1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>December 31, 2011</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|-------------------------|--|---------------------|-------------------|--|--|
| Project Note Payable | \$ | \$ 3,549,000 | \$ | \$ 3,549,000 | \$ 3,549,000 |
| Series 2003A | | | | | |
| Revenue Bonds | 2,885,000 | | 525,000 | 2,360,000 | 310,000 |
| Series 2003L | | | | | |
| Revenue Bonds | 253,496 | | 42,174 | 211,322 | 40,645 |
| Series 2003T | | | | | |
| Revenue Bonds | <u>405,000</u> | <u> </u> | <u>50,000</u> | <u>355,000</u> | <u>50,000</u> |
| | 3,543,496 | 3,549,000 | 617,174 | 6,475,322 | 3,949,645 |
| Less: | | | | | |
| Unamortized | | | | | |
| Original Issue Discount | (1,801) | | (355) | (1,446) | |
| Unamortized Deferred | | | | | |
| Amount on Refunding | <u>(108,751)</u> | <u> </u> | <u>(32,667)</u> | <u>(76,084)</u> | <u> </u> |
| Total Bonds and Notes | | | | | |
| Payable | 3,432,944 | 3,549,000 | 584,152 | 6,397,792 | 3,949,645 |
| Accrued Compensated | | | | | |
| Absences | <u>67,106</u> | <u>4,490</u> | <u>13,301</u> | <u>58,295</u> | <u> </u> |
| Total Long-Term | | | | | |
| Liabilities | <u>\$ 3,500,050</u> | <u>\$ 3,553,490</u> | <u>\$ 597,453</u> | <u>\$ 6,456,087</u> | <u>\$ 3,949,645</u> |

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 8 LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, for project notes payable and revenue bonds payable as of December 31, 2011 are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2012 | \$ 3,949,645 | \$ 137,002 | \$ 4,086,647 |
| 2013 | 342,097 | 96,600 | 438,697 |
| 2014 | 353,396 | 84,660 | 438,056 |
| 2015 | 366,562 | 72,285 | 438,847 |
| 2016 | 377,708 | 58,160 | 435,868 |
| 2017-2019 | <u>1,085,914</u> | <u>89,900</u> | <u>1,175,814</u> |
| Total | <u>\$ 6,475,322</u> | <u>\$ 538,607</u> | <u>\$ 7,013,929</u> |

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

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

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-aug2011.pdf

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

The Authority contributions to SHBP for retirees for the years ended December 31, 2011, 2010, and 2009, were \$24,957, \$23,997, and \$28,890, respectively, which equaled the required contributions for each year. There were 3 retired participants eligible at December 31, 2011, 2010, and 2009, respectively.

NOTE 10 INTEREST EXPENSE

Interest expense consists of the following:

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| Interest on Bonds and Notes | \$ 125,054 | \$ 144,249 |
| Amortization of Original Issue Discount | 355 | 469 |
| Amortization of Deferred Amount on Refunding | <u>32,667</u> | <u>40,324</u> |
| Net Interest Expense | <u>\$ 158,076</u> | <u>\$ 185,042</u> |

NOTE 11 AMOUNTS REQUIRED BY GENERAL BOND RESOLUTION

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

| | <u>Operating Fund</u> | <u>Debt Service Fund</u> | <u>Debt Service Reserve</u> |
|----------------------|-----------------------|--------------------------|-----------------------------|
| Required Amount | \$ 451,951 | \$ 201,943 | \$ 721,046 |
| Cash and Investments | <u>639,676</u> | <u>58,462</u> | <u>766,317</u> |
| | <u>\$ 187,725</u> | <u>(\$ 143,481) *</u> | <u>\$ 45,271</u> |

*Due to timing differences. Additions were made in 2012.

NOTE 12 RESTRICTED NET ASSETS

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

| | <u>2011</u> | | <u>2010</u> | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>Sewer Operations</u> | <u>Water Operations</u> | <u>Sewer Operations</u> | <u>Water Operations</u> |
| Current Debt Service | \$ 35,592 | \$ 10,695 | \$ 35,654 | \$ 10,776 |
| Operations | 270,373 | 182,606 | 268,535 | 183,417 |

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 13 DESIGNATED UNRESTRICTED NET ASSETS

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

| | <u>2011</u> | | <u>2010</u> | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>Sewer Operations</u> | <u>Water Operations</u> | <u>Sewer Operations</u> | <u>Water Operations</u> |
| Designated for Equipment Renewal and Replacement | \$ 290,000 | \$ | \$ 290,000 | \$ |
| Designated for Post Employment Benefits | 60,000 | | 60,000 | |
| Designated for Subsequent Year's Expenditures | 118,204 | 132,140 | 272,188 | 171,195 |
| Less: Amount Transferred to Undesignated Net Assets | (98,832) | - | - | - |
| Designated Unrestricted Net Assets | <u>\$ 369,372</u> | <u>\$ 132,140</u> | <u>\$ 622,188</u> | <u>\$ 171,195</u> |

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

NOTE 14 RISK MANAGEMENT

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

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

In an effort to meet the Pinelands Commission requirements, the BBMUA entered into a Memorandum of Agreement (MOA) dated March 27, 2007 with the Pinelands Commission and Buena Vista Township. The MOA would have permitted the BBMUA to construct Infiltration/Percolation (I/P) Lagoons within a Pinelands Agricultural Production Area in the Borough of Buena.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

During 2008, the Authority submitted an application to the USDA Rural Development for funding in the amount of \$4,603,000 for the proposed construction of the facilities described above together with certain related improvements.

In April 2009, USDA Rural Development made its funding determination with respect to the proposed project and has approved funding of \$4,603,000 consisting of \$3,549,000 in loan funds and \$1,054,000 in grant funds.

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

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

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The USDA Rural Development funding determination is still in effect. The Local Finance Board held its hearing on August 10, 2011 and issued positive findings with respect to the proposed project financing.

As described in Note 8, in November 2011, the Authority issued Project Notes in the amount of \$3,549,000, in anticipation of permanent financing of bonds to be issued to the USDA Rural Development to finance the Authority's construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. A construction contract in the amount of \$3,912,000 was awarded on November 17, 2011. No costs were incurred under the contract to December 31, 2011.

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

Section 612 of the Authority's Bond Resolution requires the Authority to estimate, compute, make, charge and collect rates and charges so that Revenues, as defined in the Resolution, will be at least sufficient to pay Operating Expenses of the Authority for the year; provide an amount which will at least equal 100% of the Annual Debt Service Requirement for the year; to provide the amount needed, if any, so that the amount on deposit in the Bond Reserve Fund will equal the Bond Reserve Requirement; to provide for the payment of amounts due on Subordinated Indebtedness and all other charges or liens which are related to the System whatsoever; and to provide for payment of any additional amounts which are necessary to comply with the provisions of the Resolution and all other statutory and legal obligations of the Authority. For the purpose of Section 612 of the Resolution, Revenues are deemed to include "any funds, which the Authority deposits in the Revenue Fund, regardless of the source thereof." For the years 2011 and 2010, Revenues as defined were sufficient to meet the rate covenant contained in Section 612 of the Authority's Bond Resolution.

SUPPLEMENTARY INFORMATION

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2011

| | <u>LOCAL REVENUE ACCOUNT</u> | <u>OPERATING CHECKING ACCOUNT</u> | <u>GENERAL FUND</u> | <u>TOTAL</u> |
|---|--------------------------------------|---|-------------------------|-------------------|
| CASH AND INVESTMENTS - JANUARY 1, | \$ 240,133 | \$ 268,821 | \$ 310,750 | \$ 819,704 |
| CASH RECEIPTS: | | | | |
| User Charges and Fees | 2,032,000 | | | 2,032,000 |
| Connection Fees | 12,256 | | | 12,256 |
| Other Income / Reimbursements | 86,787 | 19 | | 86,806 |
| Interest on Investments | 83 | 241 | 3 | 327 |
| Transfer from Restricted Accounts | | 1,744,420 | | 1,744,420 |
| Total Cash and Investments Available | <u>2,371,259</u> | <u>2,013,501</u> | <u>310,753</u> | <u>4,695,513</u> |
| CASH DISBURSEMENTS: | | | | |
| Operations | | 1,755,695 | | 1,755,695 |
| Transfers to Restricted Accounts | 2,317,070 | | 298,146 | 2,615,216 |
| Additions to Construction In Progress | | 21,376 | | 21,376 |
| Fixed Assets Purchased from Operations | | 52,411 | | 52,411 |
| Total Cash Disbursed | <u>2,317,070</u> | <u>1,829,482</u> | <u>298,146</u> | <u>4,444,698</u> |
| CASH AND INVESTMENTS - DECEMBER 31, | <u>\$ 54,189</u> | <u>\$ 184,019</u> | <u>\$ 12,607</u> | <u>\$ 250,815</u> |
| BALANCE COMPRISED OF: | | | | |
| Cash and Cash Equivalents: | | | | |
| Non-Interest Bearing Accounts | \$ 54,189 | \$ 250 | \$ | \$ 250 |
| Interest Bearing Accounts | 54,189 | 183,769 | 12,607 | 250,565 |
| | <u>\$ 54,189</u> | <u>\$ 184,019</u> | <u>\$ 12,607</u> | <u>\$ 250,815</u> |

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
RESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2011**

| | ACCOUNTS REQUIRED BY THE AUTHORITY'S GENERAL BOND RESOLUTION | | | | | OTHER | | TOTAL |
|---|---|-------------------|-------------------|--------------------|---------------------|--------------------------------|---------------------------------------|---------------------|
| | DEBT SERVICE | DEBT RESERVE | OPERATING | TRUSTEE REVENUE | PROJECT ACCOUNT | DEVELOPER ESCROW ACCOUNT | RENEWAL AND REPLACEMENT ACCOUNT | |
| CASH AND INVESTMENTS - JANUARY 1, | \$ 60,800 | \$ 766,317 | \$ 452,117 | \$ 36,808 | \$ - | \$ 26,748 | \$ 292,709 | \$ 1,635,499 |
| CASH RECEIPTS: | | | | | | | | |
| Escrow Deposits | | | | | | 1,500 | | 1,500 |
| Proceeds from Project Note | | | 3,549,000 | | | | | 3,549,000 |
| Transfers from Unrestricted Accounts | | | | 2,615,216 | | | | 2,615,216 |
| Interest Received | 15 | 3 | 3,760 | 7,958 | 3,287 | | 317 | 15,420 |
| Transfers Restricted Accounts | 741,971 | (3) | (1,739,028) | (2,551,940) | 3,549,000 | 80 | | - |
| Total Cash and Investments Available | <u>802,786</u> | <u>766,317</u> | <u>2,265,849</u> | <u>108,042</u> | <u>3,552,287</u> | <u>28,328</u> | <u>293,026</u> | <u>7,816,635</u> |
| CASH DISBURSEMENTS: | | | | | | | | |
| Debt Service Payments | 744,324 | | | | | | | 744,324 |
| Deposit on Land | | | 65,552 | | | | | 65,552 |
| Charges to Escrow Account | | | | | | 1,721 | | 1,721 |
| Transfer to Unrestricted Accounts | | | 1,744,420 | | | | | 1,744,420 |
| Total Cash Disbursements | <u>744,324</u> | <u>-</u> | <u>1,809,972</u> | <u>-</u> | <u>-</u> | <u>1,721</u> | <u>-</u> | <u>2,556,017</u> |
| CASH AND INVESTMENTS - DECEMBER 31, | <u>\$ 58,462</u> | <u>\$ 766,317</u> | <u>\$ 455,877</u> | <u>\$ 108,042</u> | <u>\$ 3,552,287</u> | <u>\$ 26,607</u> | <u>\$ 293,026</u> | <u>\$ 5,260,618</u> |
| BALANCE COMPRISED OF: | | | | | | | | |
| Cash and Cash Equivalents: | | | | | | | | |
| Interest Bearing Accounts | \$ 58,462 | \$ 46,317 | \$ 455,877 | \$ 108,042 | \$ 3,552,287 | \$ 26,607 | \$ 293,026 | \$ 4,540,618 |
| Investments (At Cost): | | | | | | | | |
| Certificate of Deposit | | 720,000 | | | | | | 720,000 |
| | <u>\$ 58,462</u> | <u>\$ 766,317</u> | <u>\$ 455,877</u> | <u>\$ 108,042</u> | <u>\$ 3,552,287</u> | <u>\$ 26,607</u> | <u>\$ 293,026</u> | <u>\$ 5,260,618</u> |

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

| | SEWER OPERATIONS | | | WATER OPERATIONS | | |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| | 2011 BUDGET | 2011 ACTUAL | 2010 ACTUAL | 2011 BUDGET | 2011 ACTUAL | 2010 ACTUAL |
| REVENUE: | | | | | | |
| User Charges and Fees | \$ 963,150 | \$ 967,918 | \$ 978,327 | \$ 715,146 | \$ 729,187 | \$ 735,225 |
| Interest on Delinquent Accounts | 17,000 | 21,191 | 21,241 | 11,000 | 13,615 | 13,941 |
| Connection Fees | 52,500 | 51,000 | 40,674 | 5,292 | 4,033 | 12,474 |
| Septage Fees | 425,000 | 235,335 | 534,828 | | | |
| Miscellaneous Operating Income | 1,000 | | 3,335 | 8,000 | 7,357 | 4,261 |
| Miscellaneous Non-Operating Income | | | | 39,000 | 39,387 | 54,773 |
| Interest on Investments | 12,000 | 7,577 | 11,188 | 7,000 | 3,581 | 5,288 |
| Net Assets Appropriated | 272,188 | 277,566 | 65,833 | 171,195 | 30,040 | 2,391 |
| Total Revenue | 1,742,838 | 1,560,587 | 1,655,426 | 956,633 | 827,200 | 828,353 |
| EXPENSES: | | | | | | |
| Costs of Providing Services: | | | | | | |
| Salaries and Wages | 272,986 | 275,813 | 275,084 | 207,662 | 211,650 | 210,230 |
| Employee Benefits | 130,104 | 114,850 | 105,745 | 96,720 | 77,848 | 76,111 |
| Automotive Expenses | 15,000 | 11,485 | 7,401 | 14,000 | 5,736 | 4,936 |
| Operating Supplies | 134,500 | 101,384 | 122,539 | 48,500 | 33,760 | 36,485 |
| Office Supplies - Plant | 3,000 | 1,100 | 1,494 | 1,000 | 1,100 | 800 |
| Utilities | 185,000 | 161,754 | 162,707 | 98,000 | 88,194 | 86,777 |
| Repairs and Maintenance | 100,000 | 39,578 | 85,808 | 60,000 | 17,705 | 22,756 |
| General Expense | | | | 1,500 | | |
| Laboratory Supplies | 3,500 | 5,884 | 4,726 | 3,500 | 2,277 | 2,761 |
| Laboratory Testing | 20,000 | 14,814 | 4,827 | 9,000 | 5,053 | 4,796 |
| Public Water Tax | | | | 2,500 | 1,882 | 1,905 |
| | 864,090 | 726,662 | 770,331 | 542,382 | 445,205 | 447,557 |
| Administrative and General Expenses: | | | | | | |
| Salaries and Wages | 59,023 | 69,102 | 57,336 | 59,023 | 69,102 | 57,337 |
| Employee Benefits | 29,225 | 28,943 | 28,859 | 29,438 | 34,639 | 28,690 |
| Office Supplies and Expenses | 6,000 | 8,882 | 7,073 | 5,000 | 8,882 | 7,073 |
| Computer Expense | 6,000 | 3,623 | 4,692 | 9,000 | 6,773 | 8,992 |
| Professional Services | 80,000 | 54,259 | 45,270 | 54,000 | 40,793 | 45,269 |
| Insurance | 20,000 | 8,590 | 17,280 | 15,000 | 8,590 | 11,520 |
| Postage/Billing | 5,000 | 3,498 | 3,082 | 6,000 | 4,373 | 3,935 |
| Telephone | 4,500 | 5,321 | 5,017 | 5,000 | 5,321 | 4,313 |
| Education | 4,000 | | | 2,500 | 1,410 | 1,130 |
| Legal Advertising | 1,000 | 1,590 | 596 | 1,000 | 921 | 595 |
| Licenses, Fees, Permits and Assessments | 35,000 | 25,849 | 25,104 | 10,000 | 9,091 | 8,105 |
| Provision for Doubtful Accounts | | | 5,850 | | | 5,596 |
| | 249,748 | 209,657 | 200,159 | 195,961 | 189,895 | 182,555 |
| Interest Expense | 98,825 | 94,535 | 108,828 | 31,290 | 30,874 | 35,421 |
| OTHER COSTS FUNDED BY REVENUES: | | | | | | |
| Principal Maturities | 470,175 | 470,173 | 456,369 | 147,000 | 147,000 | 144,200 |
| Other Reserves | 10,000 | - | 10,000 | | | |
| Construction In Progress | | 21,376 | 55,624 | | | |
| Capital Outlays | 50,000 | 38,184 | 54,115 | 40,000 | 14,226 | 18,620 |
| | 530,175 | 529,733 | 576,108 | 187,000 | 161,226 | 162,820 |
| TOTAL COSTS FUNDED BY REVENUES | \$ 1,742,838 | \$ 1,560,587 | \$ 1,655,426 | \$ 956,633 | \$ 827,200 | \$ 828,353 |

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>SEWER OPERATIONS</u> | | | <u>WATER OPERATIONS</u> | | |
|--|-------------------------|------------------------|------------------------|-------------------------|------------------------|------------------------|
| | <u>2011 BUDGET</u> | <u>2011 ACTUAL</u> | <u>2010 ACTUAL</u> | <u>2011 BUDGET</u> | <u>2011 ACTUAL</u> | <u>2010 ACTUAL</u> |
| REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES | <u>\$ -</u> | \$ - | \$ - | <u>\$ -</u> | \$ - | \$ - |
| Reconciliation of Budgetary Basis to Change in Net Assets | | | | | | |
| Adjustments to Budgetary Basis: | | | | | | |
| Principal Maturities | | 470,173 | 456,369 | | 147,000 | 144,200 |
| Capital Outlays | | 59,560 | 109,739 | | 14,226 | 18,620 |
| Other Reserves | | - | 10,000 | | - | - |
| Depreciation | | (264,604) | (263,900) | | (132,069) | (131,212) |
| Amortization of Debt Issue Costs | | (7,812) | (8,963) | | (3,038) | (3,485) |
| Amortization Charged to Interest Expense | | (23,421) | (29,371) | | (9,246) | (11,422) |
| Abandonment of Project | | (563,468) | - | | - | - |
| Net Assets Appropriated | | <u>(277,566)</u> | <u>(65,833)</u> | | <u>(30,040)</u> | <u>(2,391)</u> |
| CHANGE IN NET ASSETS PER EXHIBIT B | | <u>\$ (607,138)</u> | <u>\$ 208,041</u> | | <u>\$ (13,167)</u> | <u>\$ 14,310</u> |

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 A
 DECEMBER 31, 2011**

| <u>ORIGINAL</u> | | <u>MATURITIES</u> | | | <u>BALANCE</u> | <u>ISSUED</u> | <u>PAID</u> | <u>BALANCE</u> |
|-----------------|---------------|-------------------|-------------|---------------|---------------------|---------------|-------------------|---------------------|
| <u>DATE</u> | <u>AMOUNT</u> | <u>RATE</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>JANUARY 1,</u> | <u>2011</u> | <u>2011</u> | <u>DECEMBER 31,</u> |
| | | | | | <u>2011</u> | | | <u>2011</u> |
| 9/1/2003 | \$ 5,995,000 | 3.600% | 12/1/2012 | \$ 310,000 | \$ 2,885,000 | \$ | \$ 525,000 | \$ 2,360,000 |
| | | 3.700% | 12/1/2013 | 245,000 | | | | |
| | | 3.750% | 12/1/2014 | 250,000 | | | | |
| | | 4.000% | 12/1/2015 | 265,000 | | | | |
| | | 4.000% | 12/1/2016 | 270,000 | | | | |
| | | 4.100% | 12/1/2017 | 285,000 | | | | |
| | | 4.200% | 12/1/2018 | 405,000 | | | | |
| | | 4.300% | 12/1/2019 | 330,000 | | | | |
| | | | | | <u>\$ 2,885,000</u> | <u>\$ -</u> | <u>\$ 525,000</u> | <u>\$ 2,360,000</u> |

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF SERIAL REVENUE BONDS PAYABLE - SERIES 2003 T
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2011**

| <u>ORIGINAL</u> | | <u>MATURITIES</u> | | | <u>BALANCE</u> | <u>ISSUED</u> | <u>PAID</u> | <u>BALANCE</u> |
|-----------------|---------------|-------------------|-------------|---------------|----------------------------------|---------------|------------------|------------------------------------|
| <u>DATE</u> | <u>AMOUNT</u> | <u>RATE</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>JANUARY 1,</u> <u>2011</u> | <u>2011</u> | <u>2011</u> | <u>DECEMBER 31,</u> <u>2011</u> |
| 9/1/2003 | \$ 690,000 | 5.00% | 4/1/2012 | \$ 50,000 | \$ 405,000 | \$ | \$ 50,000 | \$ 355,000 |
| | | 5.00% | 4/1/2013 | 55,000 | | | | |
| | | 5.00% | 4/1/2014 | 60,000 | | | | |
| | | 5.00% | 4/1/2015 | 60,000 | | | | |
| | | 5.00% | 4/1/2016 | 65,000 | | | | |
| | | 5.00% | 4/1/2017 | 65,000 | | | | |
| | | | | | <u>\$ 405,000</u> | <u>\$ -</u> | <u>\$ 50,000</u> | <u>\$ 355,000</u> |

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

ROSTER OF OFFICIALS

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

Authority Members

Position

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

Other Officials

| | |
|------------------------------------|---|
| Gary Labo | Secretary/Treasurer and Financial Officer |
| Testa, Heck, Scrocca & Testa, P.A. | Solicitor |

Surety Company

New Jersey Utility Authorities Joint Insurance Fund

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2011**

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2011**

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