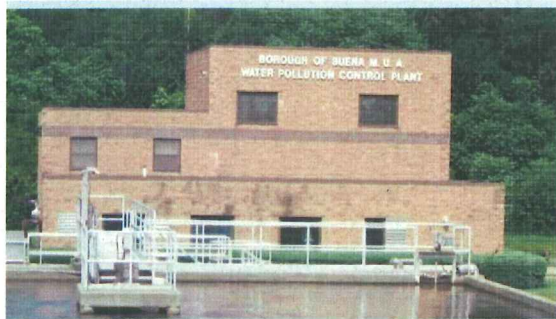


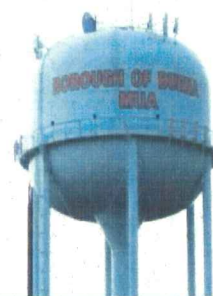
BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2010 AND 2009



*Borough of Buena
Municipal Utilities Authority*



Romano, Hearing, Testa & Knorr

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

BOROUGH OF BUENA
MUNICIPAL UTILITIES AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2010 AND 2009

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2010 AND 2009

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BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2010 AND 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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 July 7, 2011, 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 audits 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

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

Certified Public Accountants

July 7, 2011

**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, 2010, and have issued our report thereon dated July 7, 2011. 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

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 opinion 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.

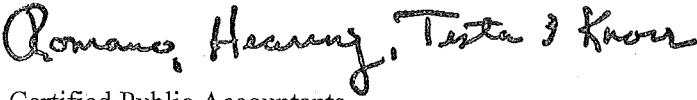
Compliance and Other Matters

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*.

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 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

July 7, 2011

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Buena Municipal Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2010. 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 \$5.05 million, which is a (\$.154) million or (2.96%) decrease from 2009.
- The Total Assets of the Authority's Sewer Operation are \$7.00 million, which is a (\$.207) million or (2.87%) decrease from 2009.
- During the year, the operating revenues of the Authority's Sewer Operation were \$1.537 million which is a \$.109 million or 7.64% increase from 2009 and its operating expenses increased by \$.092 million to \$1.234 million compared to 2009.

The total net assets of the Authority's Sewer Operation increased from last year by \$.208 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)

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Current Assets	\$ 692	\$ 709	\$ 667	\$ (17)	(2.40%)	\$ 42	6.30%
Noncurrent Assets	6,304	6,494	6,628	(190)	(2.93%)	(134)	(2.02%)
Total Assets	6,996	7,203	7,295	(207)	(2.87%)	(92)	(1.26%)
Current Liabilities	236	211	247	25	11.85%	(36)	(14.57%)
Current Liabilities Payable							
From Restricted Assets	509	511	499	(2)	(0.39%)	12	2.40%
Long-Term Liabilities	2,222	2,660	3,077	(438)	(16.47%)	(417)	(13.55%)
Total Liabilities	2,967	3,382	3,823	(415)	(12.27%)	(441)	(11.54%)
Invested in Capital Assets							
Net of Related Debt	2,954	2,685	2,370	269	10.02%	315	13.29%
Restricted Net Assets	304	314	415	(10)	(3.18%)	(101)	(24.34%)
Unrestricted Net Assets	771	822	687	(51)	(6.20%)	135	19.65%
Total Net Assets	<u>\$ 4,029</u>	<u>\$ 3,821</u>	<u>\$ 3,472</u>	<u>\$ 208</u>	5.44%	<u>\$ 349</u>	10.05%

The decrease in current assets is primarily the net result of decreases in investments, interest receivable and inventory and increases in cash, accounts receivable, other receivables and prepaid expenses.

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

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

The decrease in long-term liabilities is the net effect of principal maturities of revenue bonds payable and New Jersey Environmental Infrastructure Trust Loans payable together with an increase 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)

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 978	\$ 963	\$ 988	\$ 15	1.56%	\$ (25)	(2.53%)
Septage Fees	535	440	394	95	21.59%	46	11.68%
Other Operating	24	25	17	(1)	(4.00%)	8	47.06%
Nonoperating Revenue	52	231	78	(179)	(77.49%)	153	196.15%
Total Revenue	1,589	1,659	1,477	(70)	(4.22%)	182	12.32%
Operating Expenses							
Cost of Providing Services	770	712	666	58	8.15%	46	6.91%
Administrative and General	200	177	226	23	12.99%	(49)	(21.68%)
Depreciation	264	253	246	11	4.35%	7	2.85%
Non Operating Expense							
Interest and Amortization	147	168	184	(21)	(12.50%)	(16)	(8.70%)
Total Expenses	1,381	1,310	1,322	71	5.42%	(12)	(0.91%)
Change in Net Assets	208	349	155	(141)	(40.40%)	194	125.16%
Beginning Net Assets	3,821	3,472	3,317	349	10.05%	155	4.67%
Ending Net Assets	<u>\$ 4,029</u>	<u>\$ 3,821</u>	<u>\$ 3,472</u>	<u>\$ 208</u>	5.44%	<u>\$ 349</u>	10.05%

REVENUES AND EXPENSES

The total revenues of the Authority's Sewer Operation are approximately \$1.59 million for the year ended December 31, 2010. User Charges and Fees were \$.98 million, accounting for 62% of total revenue. Septage Fees were \$.54 million, accounting for 34% of total revenue. Operating expenses include cost of providing services, which totaled \$.77 million, an increase of \$.06 million from the prior year, and administrative and general expenses of \$.20 million, a \$.02 million increase compared to last year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2010, the Authority's Sewer Operation had \$5.05 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.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, 2010.

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

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Land	\$ 22	\$ 22	\$ 22	\$ -		\$ -	
Treatment Plant and Facilities	2,403	2,553	2,703	(150)	(5.88%)	(150)	(5.55%)
Pumping Stations and Interceptors and Improvements	1,393	1,396	1,451	(3)	(0.21%)	(55)	(3.79%)
Machinery and Equipment	287	343	326	(56)	(16.33%)	17	5.21%
Construction in Progress	945	890	780	55	6.18%	110	14.10%
Total	<u>\$ 5,050</u>	<u>\$ 5,204</u>	<u>\$ 5,282</u>	<u>\$ (154)</u>	(2.96%)	<u>\$ (78)</u>	(1.48%)

This year's additions (in thousands) include:

Pumping Stations and Interceptors and Improvements	\$ 52
Machinery and Equipment	2
Construction in Progress	56

The Authority's FY 2011 capital budget plans for investing another \$2.27 million in capital projects, including the following (in thousands):

Redirection of Effluent	\$ 2,218
Plant Operating/Office Equipment	25
Lines and Laterals	25
Total	<u>\$ 2.268</u>

The Authority plans on funding those capital projects using a combination of existing cash, including reserves, year 2011 revenue, and cost reimbursement from grant and/or loan funds.

Debt Administration

At December 31, 2010, the Authority's Sewer Operation had several outstanding bond issues and notes payable in the amount of \$2,735,695 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 \$36,581. 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 2011 maintains the same rates for residential user charges and fees which are set at \$425 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 \$3.29 million, which is a (\$.113) million or 3.30% decrease from 2009.
- The Total Assets of the Authority's Water Operation decreased 2.86% from the prior year to \$4.19 million.
- During the year, the operating revenues of the Authority's Water Operation were \$.75 million which is a \$.036 million or 5.05% increase from 2009 and operating expenses were \$.76 million, which is a 4.39% increase from 2009.

The total net assets of the Authority's Water Operation increased from last year by \$.015 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)

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Current Assets	\$ 458	\$ 458	\$ 474	\$ -	0.00%	\$ (16)	(3.38%)
Noncurrent Assets	<u>3,732</u>	<u>3,855</u>	<u>3,952</u>	<u>(123)</u>	(3.19%)	<u>(97)</u>	(2.45%)
Total Assets	<u>4,190</u>	<u>4,313</u>	<u>4,426</u>	<u>(123)</u>	(2.85%)	<u>(113)</u>	(2.55%)
Current Liabilities	163	170	176	(7)	(4.12%)	(6)	(3.41%)
Current Liabilities Payable							
From Restricted Assets	150	147	142	3	2.04%	5	3.52%
Long-Term Liabilities	<u>660</u>	<u>794</u>	<u>922</u>	<u>(134)</u>	(16.88%)	<u>(128)</u>	(13.88%)
Total Liabilities	<u>973</u>	<u>1,111</u>	<u>1,240</u>	<u>(138)</u>	(12.42%)	<u>(129)</u>	(10.40%)
Invested in Capital Assets							
Net of Related Debt	2,733	2,716	2,689	17	0.63%	27	1.00%
Restricted Net Assets	194	194	215	-	0.00%	(21)	(9.77%)
Unrestricted Net Assets	<u>290</u>	<u>292</u>	<u>282</u>	<u>(2)</u>	(0.68%)	<u>10</u>	3.55%
Total Net Assets	<u>\$ 3,217</u>	<u>\$ 3,202</u>	<u>\$ 3,186</u>	<u>\$ 15</u>	0.47%	<u>\$ 16</u>	0.50%

Total current assets remained the same, due to the net result of decreases in investments, interest receivable and inventory and the increases in cash, accounts receivable and other receivables.

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

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

The decrease in long-term liabilities is the result of principal maturities of revenue bonds payable together with an increase in 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)

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 735	\$ 703	\$ 714	\$ 32	4.55%	\$ (11)	(1.54%)
Other Operating	18	14	14	4	28.57%	-	-
Nonoperating Revenue	73	86	70	(13)	(15.12%)	16	22.86%
Total Revenue	826	803	798	23	2.86%	5	0.63%
Operating Expenses							
Cost of Providing Services	448	445	437	3	0.67%	8	1.83%
Administrative and General	182	157	177	25	15.92%	(20)	(11.30%)
Depreciation	131	127	124	4	3.15%	3	2.42%
Non Operating Expense							
Interest and Amortization	50	58	63	(8)	(13.79%)	(5)	(7.94%)
Total Expenses	811	787	801	24	3.05%	(14)	(1.75%)
Change in Net Assets	15	16	(3)	(1)	(6.25%)	19	(633.33%)
Beginning Net Assets	3,202	3,186	3,189	16	0.50%	(3)	(0.09%)
Ending Net Assets	<u>\$ 3,217</u>	<u>\$ 3,202</u>	<u>\$ 3,186</u>	<u>\$ 15</u>	0.47%	<u>\$ 16</u>	0.50%

REVENUES AND EXPENSES

The total revenues of the Authority's Water Operation are approximately \$.83 million for the year ended December 31, 2010. User Charges and Fees were \$.74 million, accounting for 89% of total revenue. Operating expenses include cost of providing services, which totaled \$.45 million, a \$.003 million increase, and administrative and general expenses of \$.18 million, a \$.025 million increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2010, the Authority's Water Operation had \$3.29 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, 2010.

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

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Land	\$ 4	\$ 4	\$ 4	\$ -	-	\$ -	-
Water Distribution System	3,246	3,357	3,467	(111)	(3.31%)	(110)	(3.17%)
Machinery and Equipment	42	43	27	(1)	(2.33%)	16	59.26%
Total	<u>\$ 3,292</u>	<u>\$ 3,404</u>	<u>\$ 3,498</u>	<u>\$ (112)</u>	<u>(3.29%)</u>	<u>\$ (94)</u>	<u>(2.69%)</u>

This year's additions (in thousands) include:

Water Distribution System	\$ 10
Machinery and Equipment	9

The Authority's FY 2011 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	<u>\$ 40</u>

The Authority plans on funding those capital projects using existing cash, including reserves and 2011 revenue.

Debt Administration

At December 31, 2010, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$807,800 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 \$30,525. 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 2011 maintains the same rates for user charges and fees and connection fees for new customers.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

ASSETS

	2010			2009		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
CURRENT ASSETS - UNRESTRICTED:						
Cash	\$ 491,654	\$ 328,050	\$ 819,704	\$ 430,357	\$ 212,101	\$ 642,458
Investments			-	150,000	150,000	300,000
Accounts Receivable	118,335	97,283	215,618	94,634	73,977	168,611
Interest Receivable	342	26	368	878	66	944
Other Receivable	37,618	10,523	48,141			
Prepaid Expenses	11,670		11,670			-
Inventory	32,761	21,841	54,602	33,427	22,285	55,712
Total Current Assets - Unrestricted	692,380	457,723	1,150,103	709,296	458,429	1,167,725
NONCURRENT ASSETS:						
Restricted:						
Accounts Required by the General Bond Resolution:						
Cash	373,854	222,188	596,042	390,851	228,557	619,408
Investments	518,400	201,600	720,000	518,400	201,600	720,000
Interest Receivable	1,891	736	2,627	2,761	1,074	3,835
Other:						
Cash	319,457		319,457	328,168		328,168
Total Restricted Assets	1,213,602	424,524	1,638,126	1,240,180	431,231	1,671,411
Capital Assets, Net	5,050,227	3,291,888	8,342,115	5,204,390	3,404,479	8,608,869
Unamortized Debt Issue Costs	40,487	15,745	56,232	49,449	19,231	68,680
Total Noncurrent Assets	6,304,316	3,732,157	10,036,473	6,494,019	3,854,941	10,348,960
TOTAL ASSETS	\$ 6,996,696	\$ 4,189,880	\$ 11,186,576	\$ 7,203,315	\$ 4,313,370	\$ 11,516,685

See Accompanying Notes to Financial Statements

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

LIABILITIES AND FUND EQUITY

	2010			2009		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:						
Accounts Payable - Operations	\$ 12,002	\$ 4,250	\$ 16,252	\$ 11,109	\$ 10,642	\$ 21,751
Accrued Liabilities	29,113	15,061	44,174	24,926	11,588	36,514
Deferred Revenue	3,601	107,167	110,768		103,524	103,524
Unearned Connection Fees	191,672	36,644	228,316	174,596	43,960	218,556
Total Current Liabilities Payable From Unrestricted Assets	<u>236,388</u>	<u>163,122</u>	<u>399,510</u>	<u>210,631</u>	<u>169,714</u>	<u>380,345</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Revenue Bonds Payable - Current Portion	470,173	147,000	617,173	456,369	144,200	600,569
Accrued Interest Payable - Bonds and Notes	11,693	2,578	14,271	13,210	2,950	16,160
Contracts Payable			-	5,210		5,210
Developer Escrow Liability	26,707		26,707	36,159		36,159
Total Current Liabilities Payable From Restricted Assets	<u>508,573</u>	<u>149,578</u>	<u>658,151</u>	<u>510,948</u>	<u>147,150</u>	<u>658,098</u>
LONG-TERM LIABILITIES:						
Revenue Bonds Payable - Non-Current Portion	2,185,925	629,846	2,815,771	2,626,728	765,424	3,392,152
Accrued Compensated Absences	36,581	30,525	67,106	33,820	28,583	62,403
Total Long-Term Liabilities	<u>2,222,506</u>	<u>660,371</u>	<u>2,882,877</u>	<u>2,660,548</u>	<u>794,007</u>	<u>3,454,555</u>
Total Liabilities	<u>2,967,467</u>	<u>973,071</u>	<u>3,940,538</u>	<u>3,382,127</u>	<u>1,110,871</u>	<u>4,492,998</u>
NET ASSETS:						
Invested in Capital Net Assets, Net of Related Debt Restricted:	2,953,769	2,732,679	5,686,448	2,684,684	2,715,977	5,400,661
Current Debt Service Operations	35,654	10,776	46,430	47,453	14,160	61,613
Unrestricted	268,535	183,417	451,952	267,077	179,707	446,784
	<u>771,271</u>	<u>289,937</u>	<u>1,061,208</u>	<u>821,974</u>	<u>292,655</u>	<u>1,114,629</u>
Total Net Assets	<u>4,029,229</u>	<u>3,216,809</u>	<u>7,246,038</u>	<u>3,821,188</u>	<u>3,202,499</u>	<u>7,023,687</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,996,696</u>	<u>\$ 4,189,880</u>	<u>\$ 11,186,576</u>	<u>\$ 7,203,315</u>	<u>\$ 4,313,370</u>	<u>\$ 11,516,685</u>

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, 2010 AND 2009

	2010			2009		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
OPERATING REVENUE:						
User Charges and Fees	\$ 978,327	\$ 735,225	\$ 1,713,552	\$ 962,667	\$ 702,859	\$ 1,665,526
Interest on Delinquent Accounts	21,241	13,941	35,182	17,368	10,832	28,200
Septage Fees	534,828		534,828	440,457		440,457
Miscellaneous Income	3,335	4,261	7,596	8,005	3,472	11,477
Total Operating Revenue	<u>1,537,731</u>	<u>753,427</u>	<u>2,291,158</u>	<u>1,428,497</u>	<u>717,163</u>	<u>2,145,660</u>
OPERATING EXPENSES:						
Cost of Providing Services	770,331	447,557	1,217,888	712,067	444,631	1,156,698
Administrative and General	200,159	182,555	382,714	177,115	157,432	334,547
Depreciation	263,900	131,212	395,112	253,491	127,227	380,718
Total Operating Expenses	<u>1,234,390</u>	<u>761,324</u>	<u>1,995,714</u>	<u>1,142,673</u>	<u>729,290</u>	<u>1,871,963</u>
OPERATING INCOME (LOSS)	<u>303,341</u>	<u>(7,897)</u>	<u>295,444</u>	<u>285,824</u>	<u>(12,127)</u>	<u>273,697</u>
NON-OPERATING REVENUE (EXPENSES):						
Connection Fees	40,674	12,474	53,148	211,290	27,526	238,816
Interest Income	11,188	5,288	16,476	20,317	7,865	28,182
Miscellaneous Income		54,773	54,773		50,738	50,738
Interest Expense	(138,199)	(46,843)	(185,042)	(157,784)	(53,574)	(211,358)
Amortization of Debt Issue Costs	(8,963)	(3,485)	(12,448)	(10,022)	(3,897)	(13,919)
Total Non-Operating Revenue (Expenses)	<u>(95,300)</u>	<u>22,207</u>	<u>(73,093)</u>	<u>63,801</u>	<u>28,658</u>	<u>92,459</u>
CHANGE IN NET ASSETS	<u>208,041</u>	<u>14,310</u>	<u>222,351</u>	<u>349,625</u>	<u>16,531</u>	<u>366,156</u>
NET ASSETS - BEGINNING	<u>3,821,188</u>	<u>3,202,499</u>	<u>7,023,687</u>	<u>3,471,563</u>	<u>3,185,968</u>	<u>6,657,531</u>
NET ASSETS- ENDING	<u>\$ 4,029,229</u>	<u>\$ 3,216,809</u>	<u>\$ 7,246,038</u>	<u>\$ 3,821,188</u>	<u>\$ 3,202,499</u>	<u>\$ 7,023,687</u>

See Accompanying Notes to Financial Statements

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received from Customers and Users	\$ 1,512,044	\$ 737,059	\$ 2,249,103	\$ 1,427,137	\$ 737,444	\$ 2,164,581
Cash Payments to Suppliers for Goods and Services	(502,561)	(264,136)	(766,697)	(565,501)	(233,078)	(798,579)
Cash Payments for Employee Services	(460,086)	(366,953)	(827,039)	(328,502)	(362,331)	(690,833)
Other Receipts (Payments)	(52,489)	41,399	(11,090)	5,881	36,523	42,404
Net Cash Provided by Operating Activities	496,908	147,369	644,277	539,015	178,558	717,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and Construction of Capital Assets	(114,948)	(18,620)	(133,568)	(155,208)	(44,141)	(199,349)
Connection Fees Received	57,750	5,158	62,908	183,750	13,230	196,980
Principal Paid on Bonds and Notes	(456,369)	(144,200)	(600,569)	(443,344)	(138,600)	(581,944)
Interest Paid on Bonds and Notes	(110,346)	(35,792)	(146,138)	(142,679)	(20,585)	(163,264)
Net Cash Used in Capital and Related Financing Activities	(623,913)	(193,454)	(817,367)	(557,481)	(190,096)	(747,577)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Received on Investments	12,594	5,665	18,259	19,551	8,111	27,662
Proceeds from Maturities of Investment Securities	1,756,800	883,200	2,640,000	1,825,200	514,800	2,340,000
Purchase of Investment Securities	(1,606,800)	(733,200)	(2,340,000)	(1,825,200)	(514,800)	(2,340,000)
Net Cash Provided by Investing Activities	162,594	155,665	318,259	19,551	8,111	27,662
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,589	109,580	145,169	1,085	(3,427)	(2,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,149,376	440,658	1,590,034	1,148,291	444,085	1,592,376
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,184,965	\$ 550,238	\$ 1,735,203	\$ 1,149,376	\$ 440,658	\$ 1,590,034

See Accompanying Notes to Financial Statements

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	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)	\$ 303,341	\$ (7,897)	\$ 295,444	\$ 285,824	\$ (12,127)	\$ 273,697
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	263,900	131,212	395,112	253,491	127,227	380,718
Miscellaneous Income		54,773	54,773	4,391	42,181	46,572
Increase (Decrease) in Cash Resulting From Changes in:						
Accounts Receivable	(23,701)	(23,306)	(47,007)	4,614	10,375	14,989
Inventory	666	444	1,110	851	567	1,418
Other Receivables	(37,618)	(10,523)	(48,141)			-
Prepaid Expenses	(11,670)		(11,670)			-
Accounts Payable	893	(6,392)	(5,499)	(9,774)	2,923	(6,851)
Accrued Liabilities	4,187	3,473	7,660	1,542	1,275	2,817
Accrued Compensated Absences	2,761	1,942	4,703	3,412	2,456	5,868
Developer Escrow Liability	(9,452)		(9,452)	(4,759)		(4,759)
Deferred Revenue	3,601	3,643	7,244	(577)	3,681	3,104
Total Adjustments	193,567	155,266	348,833	253,191	190,685	443,876
Net Cash Provided by Operating Activities	\$ 496,908	\$ 147,369	\$ 644,277	\$ 539,015	\$ 178,558	\$ 717,573

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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, 2010 AND 2009

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, 2010 AND 2009

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, 2010 AND 2009

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, 2010 AND 2009

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.

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, 2010 AND 2009

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 July 7, 2011, 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, 2010 the carrying amount and bank balance of the Authority's time and demand deposits were \$987,819 and \$979,445, 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, 2010, all of the Authority's bank balance of \$979,455 was insured or collateralized.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2010 the Authority had \$292,709 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 \$454,675 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, 2010 and 2009, the Authority invested \$720,000 and \$1,020,000 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, 2010 AND 2009

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Customer Accounts Receivable:		
Sewer	\$ 101,797	\$ 77,294
Water	121,249	92,347
Septage Hauler Receivables	<u>45,871</u>	<u>40,823</u>
	268,917	210,464
Less: Allowance for Doubtful Accounts	<u>(53,299)</u>	<u>(41,853)</u>
	<u>\$ 215,618</u>	<u>\$ 168,611</u>

NOTE 6 CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2010</u>
Non-Depreciable Capital Assets:				
Land	\$ 26,279	\$	\$	\$ 26,279
Construction in Progress	<u>889,784</u>	<u>55,623</u>	<u> </u>	<u>945,407</u>
Total Non-Depreciable Capital Assets	<u>916,063</u>	<u>55,623</u>	<u> </u>	<u>971,686</u>
Depreciable Capital Assets:				
Treatment Plant and Facilities	5,171,510			5,171,510
Pumping Stations, Interceptors and Improvements	2,593,879	52,125		2,646,004
Machinery and Equipment	2,479,878	10,929		2,490,807
Water Distribution System	<u>5,410,753</u>	<u>9,681</u>	<u> </u>	<u>5,420,434</u>
Total Depreciable Capital Assets	<u>15,656,020</u>	<u>72,735</u>	<u> </u>	<u>15,728,755</u>
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	2,618,677	149,991		2,768,668
Pumping Stations, Interceptors and Improvements	1,197,434	55,458		1,252,892
Machinery and Equipment	2,093,264	69,164		2,162,428
Water Distribution System	<u>2,053,839</u>	<u>120,499</u>	<u> </u>	<u>2,174,338</u>
Total Accumulated Depreciation	<u>7,963,214</u>	<u>395,112</u>	<u> </u>	<u>8,358,326</u>
Depreciable Capital Assets, Net	<u>7,692,806</u>	<u>(322,377)</u>	<u> </u>	<u>7,370,429</u>
Total Capital Assets, Net	<u>\$ 8,608,869</u>	<u>(\$ 266,754)</u>	<u>\$ -</u>	<u>\$ 8,342,115</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the years ended December 31, 2010 and 2009 was charged to:

	<u>2010</u>	<u>2009</u>
Sewer Operation	\$ 263,900	\$ 253,491
Water Operation	<u>131,212</u>	<u>127,227</u>
	<u>\$ 395,112</u>	<u>\$ 380,718</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:

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. Members currently contribute at a uniform rate of 5.5% of their annual covered salary. 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.

For 2010 and 2009 the Authority had annual pension cost of \$50,379 and \$40,816, respectively.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 7 PENSIONS (CONTINUED)

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>
12/31/10	\$ 50,379	100%	\$ 50,379
12/31/09	40,816	100%	40,816
12/31/08	26,130	100%	26,130

NOTE 8 LONG-TERM DEBT

A. 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 \$525,000 with interest rates ranging from 3.40% to 4.30% per annum.

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

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

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 8 LONG-TERM DEBT (CONTINUED)

The Series 2003L Bonds are non-interest bearing and mature in various amounts from 2011 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.

B. 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 long-term liabilities for the year ended December 31, 2010:

<u>Type of Debt</u>	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2010</u>	<u>Amounts Due Within One Year</u>
Series 2003A Revenue Bonds	\$ 3,400,000	\$	\$ 515,000	\$ 2,885,000	\$ 525,000
Series 2003L Revenue Bonds	294,064		40,568	253,496	42,173
Series 2003T Revenue Bonds	<u>450,000</u>	<u> </u>	<u>45,000</u>	<u>405,000</u>	<u>50,000</u>
	4,144,064	-	600,568	3,543,496	617,173
Less:					
Unamortized Original Issue Discount	(2,269)		(468)	(1,801)	
Unamortized Deferred Amount on Refunding	<u>(149,074)</u>	<u> </u>	<u>(40,323)</u>	<u>(108,751)</u>	<u> </u>
Total Bonds Payable	3,992,721	-	559,777	3,432,944	617,173
Accrued Compensated Absences	<u>62,403</u>	<u>4,703</u>	<u> </u>	<u>67,106</u>	<u> </u>
Total Long Term Liabilities	<u>\$ 4,055,124</u>	<u>\$ 4,703</u>	<u>\$ 559,777</u>	<u>\$ 3,500,050</u>	<u>\$ 617,173</u>

The annual debt service requirements to maturity, including principal and interest, for revenue bonds payable as of December 31, 2010 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 617,173	\$ 130,735	\$ 747,908
2012	400,645	110,385	511,030
2013	342,097	96,600	438,697
2014	353,396	84,660	438,056
2015	366,562	72,285	438,847
2016-2019	<u>1,463,623</u>	<u>148,460</u>	<u>1,612,083</u>
Total	<u>\$ 3,543,496</u>	<u>\$ 643,125</u>	<u>\$ 4,186,621</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

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-aug2010.pdf

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

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

The Authority contributions to SHBP for retirees for the years ended December 31, 2010, 2009, and 2008, were \$23,997, \$28,890, and \$32,524, respectively, which equaled the required contributions for each year. There were 3 retired participants eligible at December 31, 2010, 2009, and 2008, respectively.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 10 INTEREST EXPENSE

Interest expense consists of the following:

	<u>2010</u>	<u>2009</u>
Interest on Bonds and Notes	\$ 144,249	\$ 161,477
Amortization of Original Issue Discount	469	460
Amortization of Deferred Amount on Refunding	<u>40,324</u>	<u>49,421</u>
Net Interest Expense	<u>\$ 185,042</u>	<u>\$ 211,358</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	\$ 318,368	\$ 721,046
Cash and Investments	<u>720,688</u>	<u>60,800</u>	<u>766,317</u>
	<u>\$ 268,737</u>	<u>(\$ 257,568)*</u>	<u>\$ 45,271</u>

*Due to timing differences. Additions were made in 2011.

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>2010</u>		<u>2009</u>	
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water Operations</u>
Current Debt Service	\$ 35,654	\$ 10,776	\$ 47,453	\$ 14,160
Operations	268,535	183,417	267,077	179,707

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 13 DESIGNATED UNRESTRICTED NET ASSETS

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

	<u>2010</u>		<u>2009</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		50,000	
Designated for Subsequent Year's Expenditures	272,188	171,195	266,565	180,435

The unrestricted net assets-designated for subsequent year's expenditures at December 31, 2010 has been appropriated and included as anticipated revenue in the Authority's year 2011 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. As a result of constructing the I/P Lagoons within a Pinelands Agricultural Production Area, the Pinelands Commission requires 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.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. Subsequent to December 31, 2010, 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 that the Authority has 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 does not change the amount of debt originally proposed to be issued for the 2009 Project, only the description of the project. The USDA Rural Development funding determination is still in effect.

As of December 31, 2010 and as of the date of this report, the Authority has not issued any debt with respect to the project.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

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 2010 and 2009, Revenues as defined were sufficient to meet the rate covenant contained in Section 612 of the Authority's Bond Resolution.

NOTE 17 RECLASSIFICATIONS

Reclassifications have been made to certain prior year financial statement information to conform to the current year presentation. These reclassifications have no effect on the prior year net assets or change in net assets.

SUPPLEMENTARY INFORMATION

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR 2009

	SEWER OPERATION					WATER OPERATION					TOTAL	
	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED		RESTRICTED		INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED		RESTRICTED		2010 (MEMO)	2009 (MEMO)
		UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		
OPERATING REVENUE:												
User Charges	\$	\$ 978,327	\$	\$	\$	\$	\$ 735,225	\$	\$	\$	\$ 1,713,552	\$ 1,665,526
Interest on Delinquent Accounts		21,241					13,941				35,182	28,200
Septage Fees		534,828									534,828	440,457
Miscellaneous Income		3,335					4,261				7,596	11,477
	-	1,537,731	-	-	-	-	753,427	-	-	-	2,291,158	2,145,660
OPERATING EXPENSES:												
Cost of Providing Services		770,331					447,557				1,217,888	1,156,698
Administrative and General		200,159					182,555				382,714	334,547
Depreciation		263,900					131,212				395,112	380,718
	-	1,234,390	-	-	-	-	761,324	-	-	-	1,995,714	1,871,963
OPERATING INCOME (LOSS)	-	303,341	-	-	-	-	(7,897)	-	-	-	295,444	273,697
NON-OPERATING REVENUE (EXPENSES):												
Connection Fees		40,674					12,474				53,148	238,816
Interest Income		5,163		6,025			2,949		2,339		16,476	28,182
Miscellaneous Income							54,773				54,773	50,738
Interest Expense		(138,199)					(46,843)				(185,042)	(211,358)
Amortization of Debt Issue Costs		(8,963)					(3,485)				(12,448)	(13,919)
	-	(101,325)	-	6,025	-	-	19,868	-	2,339	-	(73,093)	92,459
INCOME BEFORE TRANSFERS	-	202,016	-	6,025	-	-	11,971	-	2,339	-	222,351	366,156
TRANSFERS:												
Other Transfers	269,085	(274,367)	15,623	(11,799)	1,458	16,702	(7,788)	(9,240)	(3,384)	3,710	-	-
Interest Income		6,025		(6,025)			2,339		(2,339)	-	-	-
INCREASE (DECREASE) IN NET ASSETS	269,085	(66,326)	15,623	(11,799)	1,458	16,702	6,522	(9,240)	(3,384)	3,710	222,351	366,156
NET ASSETS - JANUARY 1,	2,684,684	215,409	606,565	47,453	267,077	2,715,977	112,220	180,435	14,160	179,707	7,023,687	6,657,531
NET ASSETS - DECEMBER 31,	\$ 2,953,769	\$ 149,083	\$ 622,188	\$ 35,654	\$ 268,535	\$ 2,732,679	\$ 118,742	\$ 171,195	\$ 10,776	\$ 183,417	\$ 7,246,038	\$ 7,023,687

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2010

	<u>LOCAL REVENUE ACCOUNT</u>	<u>OPERATING CHECKING ACCOUNT</u>	<u>GENERAL FUND</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1,	\$ 233,926	\$ 260,591	\$ 447,941	\$ 942,458
CASH RECEIPTS:				
User Charges and Fees	2,235,386			2,235,386
Connection Fees	63,414			63,414
Other Income / Reimbursements	95,788	13,117		108,905
Interest on Investments	109	275	3,539	3,923
Transfer from Restricted Accounts		1,900,309		1,900,309
Total Cash and Investments Available	<u>2,628,623</u>	<u>2,174,292</u>	<u>451,480</u>	<u>5,254,395</u>
CASH DISBURSEMENTS:				
Operations		1,691,187		1,691,187
Transfers to Restricted Accounts	2,388,490	80,715	140,730	2,609,935
Additions to Construction In Progress		60,834		60,834
Fixed Assets Purchased from Operations		72,735		72,735
Total Cash Disbursed	<u>2,388,490</u>	<u>1,905,471</u>	<u>140,730</u>	<u>4,434,691</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 240,133</u>	<u>\$ 268,821</u>	<u>\$ 310,750</u>	<u>\$ 819,704</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing Accounts	\$ 240,133	\$ 250	\$ 310,750	\$ 819,454
Interest Bearing Accounts	<u>240,133</u>	<u>268,821</u>	<u>310,750</u>	<u>819,704</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, 2010**

	ACCOUNTS REQUIRED BY THE AUTHORITY'S GENERAL BOND RESOLUTION				OTHER		TOTAL
	DEBT SERVICE	DEBT RESERVE	OPERATING	TRUSTEE REVENUE	DEVELOPER ESCROW ACCOUNT	RENEWAL AND REPLACEMENT ACCOUNT	
CASH AND INVESTMENTS - JANUARY 1,	\$ 77,774	\$ 766,308	\$ 367,293	\$ 128,033	\$ 36,200	\$ 291,968	\$ 1,667,576
CASH RECEIPTS:							
Escrow Deposits					3,568		3,568
Transfers from Unrestricted Accounts	22,457		80,715	2,506,763			2,609,935
Interest Received	45	9,527	4,109	34	93	741	14,549
Transfers Restricted Accounts	707,231	(9,518)	1,900,309	(2,598,022)			-
Total Cash and Investments Available	<u>807,507</u>	<u>766,317</u>	<u>2,352,426</u>	<u>36,808</u>	<u>39,861</u>	<u>292,709</u>	<u>4,295,628</u>
CASH DISBURSEMENTS:							
Debt Service Payments	746,707						746,707
Charges to Escrow Account					13,113		13,113
Transfer to Unrestricted Accounts			1,900,309				1,900,309
Total Cash Disbursements	<u>746,707</u>	<u>-</u>	<u>1,900,309</u>	<u>-</u>	<u>13,113</u>	<u>-</u>	<u>2,660,129</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 60,800</u>	<u>\$ 766,317</u>	<u>\$ 452,117</u>	<u>\$ 36,808</u>	<u>\$ 26,748</u>	<u>\$ 292,709</u>	<u>\$ 1,635,499</u>
BALANCE COMPRISED OF:							
Cash and Cash Equivalents:							
Interest Bearing Accounts	\$ 60,800	\$ 46,317	\$ 452,117	\$ 36,808	\$ 26,748	\$ 292,709	\$ 915,499
Investments (At Cost):							
Certificate of Deposit		720,000					720,000
	<u>\$ 60,800</u>	<u>\$ 766,317</u>	<u>\$ 452,117</u>	<u>\$ 36,808</u>	<u>\$ 26,748</u>	<u>\$ 292,709</u>	<u>\$ 1,635,499</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	SEWER OPERATIONS			WATER OPERATIONS		
	2010 BUDGET	2010 ACTUAL	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2009 ACTUAL
REVENUE:						
User Charges and Fees	\$ 958,900	\$ 978,327	\$ 962,667	\$ 699,090	\$ 735,225	\$ 702,859
Interest on Delinquent Accounts	17,000	21,241	17,368	11,000	13,941	10,832
Connection Fees	17,500	40,674	211,290	3,780	12,474	27,526
Septage Fees	425,000	534,828	440,457			
Miscellaneous Operating Income	1,000	3,335	8,005	8,000	4,261	3,472
Miscellaneous Non-Operating Income				35,000	54,773	50,738
Interest on Investments	18,000	11,188	20,317	7,000	5,288	7,865
Net Assets Appropriated	266,565	65,833		180,435	2,391	10,309
Total Revenue	1,703,965	1,655,426	1,660,104	944,305	828,353	813,601
EXPENSES:						
Costs of Providing Services:						
Salaries and Wages	261,563	275,084	264,960	199,542	210,230	202,405
Employee Benefits	112,969	105,745	98,877	92,106	76,111	80,122
Automotive Expenses	15,000	7,401	5,492	14,000	4,936	3,358
Operating Supplies	136,500	122,539	115,693	52,000	36,485	37,354
Office Supplies - Plant	3,000	1,494	469	1,000	800	469
Utilities	180,000	162,707	155,548	98,000	86,777	82,466
Repairs and Maintenance	90,000	85,808	55,358	60,000	22,756	27,869
General Expense				1,500		
Laboratory Supplies	3,500	4,726	4,286	3,500	2,761	2,917
Laboratory Testing	20,000	4,827	11,384	9,000	4,796	6,523
Public Water Tax				2,500	1,905	1,148
	822,532	770,331	712,067	533,148	447,557	444,631
Administrative and General Expenses:						
Salaries and Wages	58,427	57,336	56,749	58,386	57,337	56,749
Employee Benefits	30,281	28,859	26,400	30,281	28,690	26,786
Office Supplies and Expenses	6,000	7,073	6,141	5,000	7,073	6,141
Computer Expense	6,000	4,692	4,140	6,000	8,992	4,516
Professional Services	80,000	45,270	35,321	54,000	45,269	33,775
Insurance	22,000	17,280	15,805	13,000	11,520	10,537
Postage/Billing	5,000	3,082	3,248	6,000	3,935	4,501
Telephone	4,500	5,017	4,346	5,000	4,313	4,346
Education	4,000			2,500	1,130	1,347
Legal Advertising	1,000	596	346	1,000	595	324
Licenses, Fees, Permits and Assessments	35,000	25,104	24,619	10,000	8,105	8,410
Provision for Doubtful Accounts		5,850			5,596	
	252,208	200,159	177,115	191,167	182,555	157,432
Interest Expense	112,855	108,828	121,870	35,790	35,421	39,607
OTHER COSTS FUNDED BY REVENUES:						
Principal Maturities	456,370	456,369	443,344	144,200	144,200	138,600
Other Reserves	10,000	10,000	10,000			
Construction In Progress		55,624	109,850			
Capital Outlays	50,000	54,115	65,544	40,000	18,620	33,331
	516,370	576,108	628,738	184,200	162,820	171,931
TOTAL COSTS FUNDED BY REVENUES	\$ 1,703,965	\$ 1,655,426	\$ 1,639,790	\$ 944,305	\$ 828,353	\$ 813,601

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	SEWER OPERATIONS			WATER OPERATIONS		
	2010 BUDGET	2010 ACTUAL	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2009 ACTUAL
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	\$ -	\$ -	\$ 20,314	\$ -	\$ -	\$ -
Reconciliation of Budgetary Basis to Change in Net Assets						
Adjustments to Budgetary Basis:						
Principal Maturities		456,369	443,344		144,200	138,600
Capital Outlays		109,739	175,394		18,620	33,331
Other Reserves		10,000	10,000			
Depreciation		(263,900)	(253,491)		(131,212)	(127,227)
Amortization of Debt Issue Costs		(8,963)	(10,022)		(3,485)	(3,897)
Amortization Charged to Interest Expense		(29,371)	(35,914)		(11,422)	(13,967)
Net Assets Appropriated		(65,833)			(2,391)	(10,309)
CHANGE IN NET ASSETS PER EXHIBIT B		<u>\$ 208,041</u>	<u>\$ 349,625</u>		<u>\$ 14,310</u>	<u>\$ 16,531</u>

SCHEDULE 5

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 A
DECEMBER 31, 2010**

ORIGINAL		MATURITIES			BALANCE JANUARY 1, 2010	ISSUED 2010	PAID 2010	BALANCE DECEMBER 31, 2010
DATE	AMOUNT	RATE	DATE	AMOUNT				
1-Sep-2003	\$ 5,995,000	3.400%	01-Dec-11	\$ 525,000	\$ 3,400,000	\$	\$ 515,000	\$ 2,885,000
		3.600%	01-Dec-12	310,000				
		3.700%	01-Dec-13	245,000				
		3.750%	01-Dec-14	250,000				
		4.000%	01-Dec-15	265,000				
		4.000%	01-Dec-16	270,000				
		4.100%	01-Dec-17	285,000				
		4.200%	01-Dec-18	405,000				
		4.300%	01-Dec-19	330,000				
					<u>\$ 3,400,000</u>	<u>\$ -</u>	<u>\$ 515,000</u>	<u>\$ 2,885,000</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 L
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2010**

<u>ORIGINAL</u>		<u>MATURITIES</u>		<u>BALANCE</u>			<u>BALANCE</u>
<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>JANUARY 1,</u>	<u>ISSUED</u>	<u>PAID</u>	<u>DECEMBER 31,</u>
				<u>2010</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>
1-Sep-2003	\$ 546,310	01-Apr-11	\$ 42,173	\$ 294,064	\$	\$ 40,568	\$ 253,496
		01-Apr-12	40,645				
		01-Apr-13	42,097				
		01-Apr-14	43,396				
		01-Apr-15	41,562				
		01-Apr-16	42,708				
		01-Apr-17	915				
				<u>\$ 294,064</u>	<u>\$ -</u>	<u>\$ 40,568</u>	<u>\$ 253,496</u>

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

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

SCHEDULE 7

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF SERIAL REVENUE BONDS PAYABLE - SERIES 2003 T
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2010**

ORIGINAL		MATURITIES			BALANCE JANUARY 1, 2010	ISSUED 2010	PAID 2010	BALANCE DECEMBER 31, 2010
DATE	AMOUNT	RATE	DATE	AMOUNT				
1-Sep-2003	\$ 690,000	5.00%	01-Apr-11	\$ 50,000	\$ 450,000	\$	\$ 45,000	\$ 405,000
		5.00%	01-Apr-12	50,000				
		5.00%	01-Apr-13	55,000				
		5.00%	01-Apr-14	60,000				
		5.00%	01-Apr-15	60,000				
		5.00%	01-Apr-16	65,000				
		5.00%	01-Apr-17	65,000				
					<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 405,000</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
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
Basile & 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, 2010**

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, 2010**

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

NONE