

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2014 AND 2013



*Borough of Buena
Municipal Utilities Authority*



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, Atlantic County, New Jersey, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Bureau of Authority Regulation, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Buena Municipal Utilities Authority, as of December 31, 2014 and 2013, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2015, 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* in considering the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

Handwritten signature in black ink that reads "Romano, Hearing, Testa & Knorr". The signature is written in a cursive, flowing style.

Certified Public Accountants

July 22, 2015

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Buena Municipal Utilities Authority, as of and for the years ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Borough of Buena Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated July 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Buena Municipal Utilities Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

ROMANO, HEARING, TESTA & KNORR

Handwritten signature in cursive script reading "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

July 22, 2015

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, 2014. 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 **Statement of Net Position** includes all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

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

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

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

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

SEWER OPERATION

FINANCIAL HIGHLIGHTS OPERATIONS

- The Net Capital Assets of the Authority's Sewer Operation total \$8.16 million, which is a \$0.30 million or 3.57% decrease from 2013.
- The Total Assets of the Authority's Sewer Operation are \$9.72 million, which is a \$0.77 million or 7.33% decrease from 2013.
- During the year, the operating revenues of the Authority's Sewer Operation were \$1.58 million which is a \$.043 million or 2.82% increase from 2013 and its operating expenses increased by \$.065 million to \$1.27 million compared to 2013, an increase of 5.37%.

The total net position of the Authority's Sewer Operation increased from last year by \$0.106 million. The analysis below focuses on the Sewer Operation's net position (Table 1A) and changes in net position (Table 2A) during the year.

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

	2014	2013	2012	2014-2013		2013-2012	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Current Assets-Unrestricted	\$ 563	\$ 618	\$ 507	\$ (55)	(9.77%)	\$ 111	21.89%
Current Assets-Restricted	1,004	1,416	1,408	(412)	(29.10%)	8	0.57%
Noncurrent Assets	8,156	8,458	7,942	(302)	(3.57%)	516	6.50%
Total Assets	<u>9,723</u>	<u>10,492</u>	<u>9,857</u>	<u>(769)</u>	<u>(7.33%)</u>	<u>635</u>	<u>6.44%</u>
Deferred Outflows Of Resources	<u>2</u>	<u>20</u>	<u>37</u>	<u>(18)</u>	<u>(90.00%)</u>	<u>(17)</u>	<u>(45.95%)</u>
Current Liabilities	49	55	57	(6)	(10.91%)	(2)	(3.51%)
Current Liabilities Payable							
From Restricted Assets	256	610	4,290	(354)	(58.03%)	(3,680)	(85.78%)
Long-Term Liabilities	4,329	4,897	1,713	(568)	(11.60%)	3,184	185.87%
Total Liabilities	<u>4,634</u>	<u>5,562</u>	<u>6,060</u>	<u>(928)</u>	<u>(20.03%)</u>	<u>(498)</u>	<u>(8.22%)</u>
Deferred Inflows Of Resources	<u>167</u>	<u>132</u>	<u>134</u>	<u>35</u>	<u>26.52%</u>	<u>(2)</u>	<u>(1.49%)</u>
Net Investment in							
Capital Assets	3,612	3,607	2,691	5	0.14%	916	34.04%
Restricted Net Position		468	385	(468)	(100.00%)	83	21.56%
Unrestricted Net Position	1,312	743	624	569	76.58%	119	19.07%
Total Net Position	<u>\$ 4,924</u>	<u>\$ 4,818</u>	<u>\$ 3,700</u>	<u>\$ 106</u>	<u>2.15%</u>	<u>\$ 1,118</u>	<u>30.22%</u>

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

The decrease in noncurrent assets is due to the decrease in net capital assets. The decrease in current liabilities payable from unrestricted assets is the net result of the decreases in accounts payable and a slight increase in accrued liabilities.

The decrease in current liabilities payable from restricted assets is the result of decreases in due to unrestricted assets, accrued interest payable and the current portion of revenue bonds payable.

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

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

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

	2014	2013	2012	2014-2013		2013-2012	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 1,258	\$ 1,264	\$ 1,253	\$ (6)	(0.47%)	\$ 11	0.88%
Septage Fees	278	227	210	51	22.47%	17	8.10%
Other Operating	32	34	25	(2)	(5.88%)	9	36.00%
Nonoperating Revenue	11	17	43	(6)	(35.29%)	(26)	(60.47%)
Total Revenue	<u>1,579</u>	<u>1,542</u>	<u>1,531</u>	<u>37</u>	<u>2.40%</u>	<u>11</u>	<u>0.72%</u>
Operating Expenses							
Cost of Providing Services	710	764	768	(54)	(7.07%)	(4)	(0.52%)
Administrative and General	237	192	187	45	23.44%	5	2.67%
Depreciation	330	256	254	74	28.91%	2	0.79%
Non Operating Expense							
Int, Amort, Loss on Extinguishment of Debt & Debt Issue Costs	<u>196</u>	<u>154</u>	<u>98</u>	<u>42</u>	<u>27.27%</u>	<u>56</u>	<u>57.14%</u>
Total Expenses	<u>1,473</u>	<u>1,366</u>	<u>1,307</u>	<u>107</u>	<u>7.83%</u>	<u>59</u>	<u>4.51%</u>
Capital Contributions		<u>942</u>	<u>112</u>	<u>(942)</u>	<u>(100.00%)</u>	<u>830</u>	
Change in Net Position	106	1,118	336	(1,012)	(90.52%)	782	232.74%
Beginning Net Position	<u>4,818</u>	<u>3,700</u>	<u>3,364</u>	<u>1,118</u>	<u>30.22%</u>	<u>336</u>	<u>9.99%</u>
Ending Net Position	<u>\$ 4,924</u>	<u>\$ 4,818</u>	<u>\$ 3,700</u>	<u>\$ 106</u>	<u>2.20%</u>	<u>\$ 1,118</u>	<u>30.22%</u>

REVENUES AND EXPENSES

The total revenues of the Authority's Sewer Operation are approximately \$1.58 million for the year ended December 31, 2014. User Charges and Fees were \$1.26 million, accounting for 80% of total revenue. Septage Fees were \$.278 million, accounting for 17.6% of total revenue. Operating expenses include cost of providing services, which totaled \$.710 million, a decrease of \$.054 million from the prior year, and administrative and general expenses of \$.237 million, a \$.045 million increase compared to last year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2014, the Authority's Sewer Operation had \$8.16 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 \$.330 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, 2014.

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

	2014	2013	2012	2014-2013		2013-2012	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Land	\$ 486	\$ 486	\$ 486	\$ -	0.00%	\$ -	0.00%
Treatment Plant and Facilities	6,373	6,582	2,153	(209)	(3.18%)	4,429	205.71%
Pumping Stations and Interceptors and Improvements	1,168	1,224	1,280	(56)	(4.58%)	(56)	(4.38%)
Machinery and Equipment	113	151	201	(38)	(25.17%)	(50)	(24.88%)
Construction in Progress	15	15	3,822	-	0.00%	(3,807)	(99.61%)
Total	\$ 8,155	\$ 8,458	\$ 7,942	\$ (303)	(3.58%)	\$ 516	6.50%

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

Treatment Plant and Facilities	\$ <u>27</u>
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The Authority's FY 2015 capital budget plans for investing another \$0.29 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 25
Lines and Laterals	216
Purchase Property	<u>55</u>
Total	<u>\$ 296</u>

The Authority plans on funding those capital projects using a combination of existing cash, including reserves and year 2015 revenue.

Debt Administration

At December 31, 2014, the Authority's Sewer Operation had several outstanding bonds payable in the amount of \$4,542,968 that mature in various amounts through the year 2053 with interest rates ranging from 1.946% to 2.125%. The Authority also has accrued compensated absences in the amount of \$35,569. 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 2015 maintains the same rates for residential user charges and fees setting the rate at \$545 per unit per year. In addition, commercial sewer users are billed based on flow. Budgeted connection fees for new customers remain the same at \$3,500/unit.

WATER OPERATION

FINANCIAL HIGHLIGHTS OPERATIONS

- The Net Capital Assets of the Authority's Water Operation total \$2.792 million, which is a (\$.126) million or 4.32% decrease from 2013.
- The Total Assets of the Authority's Water Operation decreased 3.54% from the prior year to \$3.87 million.
- During the year, the operating revenues of the Authority's Water Operation were \$.762 million which is a \$.021 million or 2.84% increase from 2013 and operating expenses were \$.764 million, which is a 3.66% increase from 2013.

The total net position of the Authority's Water Operation increased from last year by \$.014 million. The analysis below focuses on the Water Operation's net position (Table 1B) and changes in net position (Table 2B) during the year.

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

	2014	2013	2012	2014-2013		2013-2012	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Current Assets-Unrestricted	\$ 888	\$ 688	\$ 507	\$ 200	29.07%	\$ 181	35.70%
Current Assets-Restricted	188	404	428	(216)	(53.47%)	(24)	(5.61%)
Noncurrent Assets	2,792	2,918	3,047	(126)	(4.32%)	(129)	(4.23%)
Total Assets	<u>3,868</u>	<u>4,010</u>	<u>3,982</u>	<u>(142)</u>	<u>(3.54%)</u>	<u>28</u>	<u>0.70%</u>
Deferred Outflows of Resources	<u>1</u>	<u>7</u>	<u>14</u>	<u>(6)</u>	<u>(85.71%)</u>	<u>(7)</u>	<u>(50.00%)</u>
Current Liabilities	21	23	28	(2)	(8.70%)	(5)	(17.86%)
Current Liabilities Payable From Restricted Assets	76	140	70	(64)	(45.71%)	70	100.00%
Long-Term Liabilities	375	467	534	(92)	(19.70%)	(67)	(12.55%)
Total Liabilities	<u>472</u>	<u>630</u>	<u>632</u>	<u>(158)</u>	<u>(25.08%)</u>	<u>(2)</u>	<u>(0.32%)</u>
Deferred Inflows of Resources	<u>132</u>	<u>136</u>	<u>132</u>	<u>(4)</u>	<u>(2.94%)</u>	<u>4</u>	<u>3.03%</u>
Net Investment in Capital Assets	2,372	2,505	2,675	(133)	(5.31%)	(170)	(6.36%)
Restricted Net Position		228	206	(228)	(100.00%)	22	10.68%
Unrestricted Net Position	893	518	351	375	72.39%	167	47.58%
Total Net Position	<u>\$ 3,265</u>	<u>\$ 3,251</u>	<u>\$ 3,232</u>	<u>\$ 14</u>	<u>0.43%</u>	<u>\$ 19</u>	<u>0.59%</u>

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

The decrease in noncurrent assets is due to decrease in net capital assets.

The decrease in current liabilities payable from unrestricted assets is the result of decrease in accounts payable and increase in accrued liabilities. The decrease in current liabilities payable from restricted assets is the result of decreases in the current portion of revenue bonds payable, accrued interest payable and due to unrestricted assets.

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

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

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

				2014-2013		2013-2012	
	2014	2013	2012	Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 742	\$ 713	\$ 732	\$ 29	4.07%	\$ (19)	(2.60%)
Other Operating	20	27	29	(7)	(25.93%)	(2)	(6.90%)
Nonoperating Revenue	51	47	64	4	8.51%	(17)	(26.56%)
Total Revenue	813	787	825	26	3.30%	(38)	(4.61%)
Operating Expenses							
Cost of Providing Services	418	432	462	(14)	(3.24%)	(30)	(6.49%)
Administrative and General	220	177	159	43	24.29%	18	11.32%
Depreciation	126	129	130	(3)	(2.33%)	(1)	(0.77%)
Non Operating Expense							
Interest, Amortization and Debt Issue Costs	35	30	33	5	16.67%	(3)	(9.09%)
Total Expenses	799	768	784	(799)	(104.04%)	(16)	(2.04%)
Change in Net Position	14	19	41	(5)	(26.32%)	(22)	53.66%
Beginning Net Position	3,251	3,232	3,191	19	0.59%	41	1.28%
Ending Net Position	\$ 3,265	\$ 3,251	\$ 3,232	\$ 14	0.43%	\$ 19	0.59%

REVENUES AND EXPENSES

The total revenues of the Authority's Water Operation are approximately \$.81 million for the year ended December 31, 2014. User Charges and Fees were \$.74 million, accounting for 91% of total revenue. Operating expenses include cost of providing services, which totaled \$.418 million, a \$.014 million decrease, and administrative and general expenses of \$.221 million, and \$.044 million increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2014, the Authority's Water Operation had \$2.79 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 \$.126 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, 2014.

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

	2014	2013	2012	2014-2013		2013-2012	
				Increase(Decrease)	Increase(Decrease)	Increase(Decrease)	Increase(Decrease)
				\$	%	\$	%
Land	\$ 4	\$ 4	\$ 4	\$ -	-	\$ -	-
Water Distribution System	2,777	2,896	3,017	(119)	(4.11%)	(121)	(4.01%)
Machinery and Equipment	11	18	26	(7)	(38.89%)	(8)	(30.77%)
Total	\$ 2,792	\$ 2,918	\$ 3,047	\$ (126)	(4.51%)	\$ (129)	(4.23%)

The Authority's FY 2015 capital budget plans for investing another \$.04 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 25
Other Budgeted Capital	15
Total	\$ 40

The Authority plans on funding those capital projects using existing cash, including reserves and 2015 revenue.

Debt Administration

At December 31, 2014, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$420,000 that matures in various amounts through the year 2019 with interest rates of 1.946%. The Authority also has accrued compensated absences in the amount of \$29,398. 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 2015 maintains the same rates for user charges and fees and connection fees for new customers.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS - UNRESTRICTED:		
Cash	\$ 1,121,967	\$ 673,358
Accounts Receivable	275,758	253,061
Interest Receivable		2
Due from Restricted Assets		327,470
Inventory	51,437	51,842
Prepaid Expenses	2,744	
Total Current Assets - Unrestricted	1,451,906	1,305,733
CURRENT ASSETS - RESTRICTED:		
Accounts Required by the General Bond Resolution:		
Cash	150,030	802,553
Investments		720,000
Interest Receivable		1,077
Other:		
Cash	1,041,931	295,706
Total Current Assets - Restricted	1,191,961	1,819,336
NONCURRENT ASSETS:		
Capital Assets, Net	10,947,657	11,376,329
Total Noncurrent Assets	10,947,657	11,376,329
TOTAL ASSETS	13,591,524	14,501,398
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Defeasance of Debt	3,048	27,317
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,048	27,317

(Continued)

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 21,166	\$ 34,195
Accrued Liabilities	48,048	43,491
Total Current Liabilities Payable From Unrestricted Assets	69,214	77,686
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Due to Unrestricted Assets		327,470
Revenue Bonds Payable - Current Portion	323,889	411,053
Accrued Interest Payable - Bonds and Notes	5,798	9,196
Developer Escrow Liability	2,260	2,257
Total Current Liabilities Payable From Restricted Assets	331,947	749,976
LONG-TERM LIABILITIES:		
Revenue Bonds Payable - Non-Current Portion	4,639,079	5,292,276
Accrued Compensated Absences	64,967	70,843
Total Long-Term Liabilities	4,704,046	5,363,119
TOTAL LIABILITIES	5,105,207	6,190,781
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	107,133	107,426
Deferred Connection Fees	192,453	161,092
TOTAL DEFERRED INFLOWS OF RESOURCES	299,586	268,518
NET POSITION:		
Net Investment in Capital Assets	5,984,695	6,111,947
Restricted:		
Current Debt Service		217,106
Operations		479,243
Unrestricted	2,205,084	1,261,120
TOTAL NET POSITION	\$ 8,189,779	\$ 8,069,416

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

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
OPERATING REVENUE:		
User Charges and Fees	\$ 1,999,715	\$ 1,977,511
Interest on Delinquent Accounts	50,397	50,561
Septage Fees	278,463	226,538
Miscellaneous Income	1,548	10,029
	Total Operating Revenue	2,264,639
OPERATING EXPENSES:		
Cost of Providing Services	1,128,214	1,195,597
Administrative and General	457,866	368,674
Depreciation	456,089	385,524
	Total Operating Expenses	1,949,795
OPERATING INCOME	287,954	314,844
NON-OPERATING REVENUE (EXPENSES):		
Connection Fees	17,304	15,096
Interest Income	2,256	3,664
Miscellaneous Income	43,537	44,702
Interest Expense	(178,163)	(154,089)
Loss on Early Extinguishment of Debt	(15,128)	
Debt Issue Costs Incurred	(37,397)	(29,357)
	Total Non-Operating Revenue (Expenses)	(119,984)
CHANGE IN NET POSITION, BEFORE CAPITAL CONTRIBUTIONS	120,363	194,860
CAPITAL CONTRIBUTIONS		942,279
CHANGE IN NET POSITION	120,363	1,137,139
NET POSITION - JANUARY 1,	8,069,416	6,932,277
NET POSITION- DECEMBER 31,	\$ 8,189,779	\$ 8,069,416

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 2,307,179	\$ 2,249,084
Cash Payments to Suppliers for Goods and Services	(693,454)	(709,752)
Cash Payments for Employee Services	(906,974)	(855,791)
Other Receipts (Payments)	41,156	33,981
	<u>747,907</u>	<u>717,522</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(27,417)	(1,024,596)
Capital Contributions		1,053,990
Connection Fees Received	48,664	17,820
Proceeds from Issuance of Revenue Refunding Bonds	1,500,000	
Proceeds from USDA Bond Issue		3,549,000
Debt Issuance Costs Paid	(37,397)	
Loss on Early Extinguishment of Debt	(15,128)	
Principal Paid on Bonds and Notes	(2,241,237)	(4,070,472)
Interest Paid on Bonds and Notes	(156,416)	(154,205)
	<u>(928,931)</u>	<u>(628,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	3,335	4,011
Proceeds from Maturities of Investment Securities	1,440,000	1,405,969
Purchase of Investment Securities	(720,000)	(1,440,000)
	<u>723,335</u>	<u>(30,020)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	542,311	59,039
CASH AND CASH EQUIVALENTS - JANUARY 1,	<u>1,771,617</u>	<u>1,712,578</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31,	<u>\$ 2,313,928</u>	<u>\$ 1,771,617</u>

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 287,954	\$ 314,844
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	456,089	385,524
Miscellaneous Income	43,538	44,702
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(22,697)	(5,932)
Inventory	405	5,390
Prepaid Expense	(2,744)	
Accounts Payable	(13,029)	(6,404)
Accrued Liabilities	4,557	(1,202)
Accrued Compensated Absences	(5,876)	6,334
Developer Escrow Liability	3	(25,734)
Deferred User Charges	(293)	
Total Adjustments	<u>459,953</u>	<u>402,678</u>
Net Cash Provided by Operating Activities	<u>\$ 747,907</u>	<u>\$ 717,522</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Authority is a component unit of the Borough of Buena as it meets the financial accountability criteria for component units set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14. The financial statements of the Borough of Buena are not presented in accordance with generally accepted accounting principles (GAAP) and do not present the financial statements of its component units in accordance with GASB Statement No. 14. The Authority's financial statements would be either blended or discretely presented with those of the Borough if the Borough reported using generally accepted accounting principles (GAAP) applicable to governmental entities. The Authority does not have any component units for which it is financially accountable.

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 position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

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

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. The General Bond Resolution was defeased effective October 31, 2014 and these accounts were no longer required as of that date.

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
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.
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, 2014 AND 2013**

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:

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

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

Renewal and Replacement account restricted for equipment renewal or replacement.

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

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

Bond discounts arising from the issuance of debt are amortized over the life of the issue based upon the interest method as a component of interest expense. Bonds payable are reported net of the applicable bond discount.

L. Deferred Amount on Refunding

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

M. 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, 2014 AND 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. Subsequent Events

Management has evaluated subsequent events through July 22, 2015 the date the financial statements were available for issue.

O. 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, 2014 the carrying amount and bank balance of the Authority's time and demand deposits were \$1,769,402 and \$1,791,191, respectively.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). The Authority's public funds in excess of the FDIC insured amounts are protected by GUDPA. As of December 31, 2014, \$250,000 of the Authority's bank balance of \$1,791,191 was insured and \$1,541,191 was uninsured and collateralized.

At December 31, 2014 the Authority had \$544,526 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 4 INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC).

The Authority’s public funds in excess of the FDIC insured amounts are protected by GUDPA. At December 31, 2014 the Authority held no investments. As of December 31, 2013, the Authority invested \$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. As mentioned above, the Authority held no investments as December 31, 2014. One hundred percent (100.0%) of the Authority’s investments held at December 31, 2013 were in certificates of deposits at Susquehanna Patriot Bank with a maturity of less than one year.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2014 and 2013 consists of the following:

Customer Accounts Receivable:	2014	2013
Sewer	\$ 162,062	\$ 148,319
Water	145,705	134,693
Septage Hauler Receivables	35,549	32,043
	343,316	315,055
Less: Allowance for Doubtful Accounts	67,558	61,994
	\$ 275,758	\$ 253,061

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 6 CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>
Non-Depreciable Capital Assets:				
Land	\$ 489,752	\$ -	\$ -	\$ 489,752
Construction in Progress	<u>14,588</u>	<u>-</u>	<u>-</u>	<u>14,588</u>
Total Non-Depreciable Capital Assets	<u>504,340</u>	<u>-</u>	<u>-</u>	<u>504,340</u>
Depreciable Capital Assets:				
Treatment Plant and Facilities	9,783,569	23,105		9,806,674
Pumping Stations, Interceptors and Improvements	2,646,004			2,646,004
Machinery and Equipment	2,532,701	4,312		2,537,013
Water Distribution System	<u>5,434,661</u>	<u>-</u>	<u>-</u>	<u>5,434,661</u>
Total Depreciable Capital Assets	<u>20,396,935</u>	<u>27,417</u>	<u>-</u>	<u>20,424,352</u>
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	3,201,970	231,372		3,433,342
Pumping Stations, Interceptors and Improvements	1,421,835	56,314		1,478,149
Machinery and Equipment	2,362,787	49,421		2,412,208
Water Distribution System	<u>2,538,354</u>	<u>118,982</u>	<u>-</u>	<u>2,657,336</u>
Total Accumulated Depreciation	<u>9,524,946</u>	<u>456,089</u>	<u>-</u>	<u>9,981,035</u>
Depreciable Capital Assets, Net	<u>10,871,989</u>	(428,672)	<u>-</u>	<u>10,443,317</u>
Total Capital Assets, Net	<u>\$ 11,376,329</u>	<u>\$ (428,672)</u>	<u>\$ -</u>	<u>\$ 10,947,657</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was charged to:

	<u>2014</u>	<u>2013</u>
Sewer Operation	\$ 330,359	\$ 256,414
Water Operation	<u>125,730</u>	<u>129,110</u>
	<u>\$ 456,089</u>	<u>\$ 385,524</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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 7 PENSIONS (CONTINUED)

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. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011 the active member contribution rate was 6.5% of annual compensation. The member contribution amount increased from 6.78% to 6.92% in July 2014 and is scheduled to increase by 0.14% per year until the contribution rate reaches 7.50% in July 2018. Employer's contribution amounts are based on an actuarially determined rate. The annual employer contributions include 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 2014 and 2013 the Authority had annual pension cost of \$60,082 and \$60,639, 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>
12/31/14	\$60,082	100%	\$ -
12/31/13	60,639	100%	-
12/31/12	62,092	100%	-

NOTE 8 LONG-TERM LIABILITIES

A. Bonds Payable

At December 31, 2014, bonds payable consisted of the following:

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

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

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

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.

On October 31, 2014, the Authority refunded its Series 2003A Bonds maturing on December 1, 2015 through December 1, 2019 inclusive, therefore no Series 2003A Bonds are outstanding at December 31, 2014.

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.

On November 3, 2014, the Authority prepaid the remaining balance of its Series 2003L and 2003T Bonds utilizing existing Authority funds on hand. Those bonds were deemed fully paid, satisfied in full, and cancelled as of that date.

B. Refunding Bonds Issued

On October 31, 2014, the Authority issued \$1,500,000 Revenue Refunding Bonds bearing interest at 1.946% to currently refund \$1,555,000 of outstanding Series 2003A Bonds with an average interest rate of 4.12%. The proceeds of \$1,500,000 plus an additional \$55,000 from the Series 2003A Debt Reserve Fund were used to make the payment to refund the bonds on the call date of December 1, 2014. The Authority refunded the Series 2003A Bonds to reduce its total debt service over the next five (5) years by \$167,172 with a net present value of \$158,053. The economic gain on this refunding, which is the difference between the present values of the debt service payments on the old and new debt adjusted for additional cash paid, is \$53,253.

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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2014:

Type of Debt	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Amounts Due Within One Year
Series 2013 Revenue Bonds (USDA)	\$ 3,520,625	\$	\$ 57,657	\$ 3,462,968	\$ 58,889
Series 2014 Revenue Bonds		1,500,000		1,500,000	265,000
Series 2003A Revenue Bonds	1,805,000		1,805,000	-	
Series 2003L Revenue Bonds	128,580		128,580	-	
Series 2003T Revenue Bonds	250,000		250,000	-	
	5,704,205	1,500,000	2,241,237	4,962,968	323,889
Less: Unamortized Original Issue Discount	(876)		(876)	-	
Total Bonds and Notes Payable	5,703,329	1,500,000	2,240,361	4,962,968	323,889
Accrued Compensated Absences	70,843		5,876	64,967	
Total Long-Term Liabilities	<u>\$ 5,774,172</u>	<u>\$ 1,500,000</u>	<u>\$ 2,246,237</u>	<u>\$ 5,027,935</u>	<u>\$ 323,889</u>

The annual debt service requirements to maturity, including principal and interest, for revenue bonds payable as of December 31, 2014 are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 323,889	\$ 104,980	\$ 428,869
2016	325,148	96,052	421,200
2017	336,432	89,610	426,042
2018	452,744	82,946	535,690
2019	369,085	74,016	443,101
2020-2024	341,554	319,276	660,830
2025-2029	379,630	281,200	660,830
2030-2034	421,949	238,881	660,830
2035-2039	468,987	191,843	660,830
2040-2044	521,268	139,562	660,830
2045-2049	579,377	81,453	660,830
2050-2053	442,905	19,001	461,906
Total	<u>\$ 4,962,968</u>	<u>\$ 1,718,820</u>	<u>\$ 6,681,788</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

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:

<http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2013.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, 2014, 2013, and 2012, were \$44,228, \$35,193, and \$35,455, respectively, which equaled the required contributions for each year. There were 5 retired participants eligible at December 31, 2014 and 4 retired participants in 2013 and 2012.

NOTE 10 INTEREST EXPENSE

Interest expense consists of the following:

	<u>2014</u>	<u>2013</u>
Interest on Bonds and Notes	\$ 153,018	\$ 130,289
Amortization of Original Issue Discount	876	267
Amortization of Deferred Amount on Refunding	<u>24,269</u>	<u>25,533</u>
Net Interest Expense	<u>\$ 178,163</u>	<u>\$ 154,089</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 11 AMOUNTS REQUIRED BY SERIES 2014 LOAN AGREEMENT

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

	Debt Service Reserve
Required Amount	\$ 150,000
Cash and Investments	150,030
Excess	\$ 30

NOTE 12 RESTRICTED NET POSITION

The Authority has restricted net position for the following purposes in accordance with the requirements of its General Bond Resolution, which was defeased October 31, 2014.

	2014		2013	
	Sewer Operations	Water Operations	Sewer Operations	Water Operations
Current Debt Service Operations	\$ -	\$ -	\$ 170,445	\$ 46,661
	-	-	297,622	181,621

NOTE 13 DESIGNATED UNRESTRICTED NET POSITION

As of December 31, 2014 and 2013, the Authority had unrestricted net position balances of \$2,205,084 and \$1,261,120 respectively.

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

	2014		2013	
	Sewer Operations	Water Operations	Sewer Operations	Water Operations
Designated for Equipment Renewal and Replacement	\$ 494,526	\$ 50,000	\$ 290,000	\$
Designated for Subsequent Year's Expenditures	284,823	112,730	296,320	140,374
Designated for Debt Service	108,000	42,000		
Designated Unrestricted Net Position	\$ 887,349	\$ 204,730	\$ 586,320	\$ 140,374

The unrestricted net position-designated for subsequent year's expenditures at December 31, 2014 and 2013 has been appropriated and included as anticipated revenue in the Authority's 2015 and 2014 budgets respectively.

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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 15 **SUBSEQUENT EVENTS**

On February 9, 2015 the Borough of Buena ("Borough") adopted Resolution #24-15 entitled "A Resolution of the Borough of Buena Authorizing the Investigation of the Dissolution of the Buena Borough Municipal Utilities Authority". While there are other steps, including Local Finance Board approval that would be required to occur in order to effectuate such dissolution, should the Borough decide to attempt to dissolve the Authority and be successful, it would impact the ability of the Authority to continue as a going concern.

SUPPLEMENTARY INFORMATION

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR 2013

	SEWER OPERATION					WATER OPERATION					TOTAL	
	NET INVESTMENT IN CAPITAL ASSETS	UNRESTRICTED		RESTRICTED		NET INVESTMENT IN CAPITAL ASSETS	UNRESTRICTED		RESTRICTED		2014 (MEMO)	2013 (MEMO)
		UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		
OPERATING REVENUE:												
User Charges	\$	\$ 1,257,981	\$	\$	\$	\$ 741,734	\$	\$	\$	\$	\$ 1,999,715	\$ 1,977,511
Interest on Delinquent Accounts		31,508				18,889					50,397	50,561
Septage Fees		278,463									278,463	226,538
Miscellaneous Income						1,548					1,548	10,029
	-	1,567,952	-	-	-	762,171	-	-	-	-	2,330,123	2,264,639
OPERATING EXPENSES:												
Cost of Providing Services		710,249				417,965					1,128,214	1,195,597
Administrative and General		237,474				220,392					457,866	368,674
Depreciation		330,359				125,730					456,089	385,524
	-	1,278,082	-	-	-	764,087	-	-	-	-	2,042,169	1,949,795
OPERATING INCOME (LOSS)	-	289,870	-	-	-	(1,916)	-	-	-	-	287,954	314,844
NON-OPERATING REVENUE (EXPENSES):												
Connection Fees		10,500				6,804					17,304	15,096
Interest Income		35		700		1,389		132			2,256	3,664
Miscellaneous Income		632				42,905					43,537	44,702
Interest Expense		(150,574)				(27,589)					(178,163)	(154,089)
Loss on Early Extinguishment of Debt		(15,128)									(15,128)	
Debt Issue Costs Incurred		(29,926)				(7,471)					(37,397)	(29,357)
	-	(184,461)	-	700	-	16,038	-	132	-	-	(167,591)	(119,984)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	-	105,409	-	700	-	14,122	-	132	-	-	120,363	194,860
CAPITAL CONTRIBUTIONS											-	942,279
TRANSFERS:												
Other Transfers	5,524	161,514	301,029	(170,445)	(297,622)	(132,776)	296,702	64,356	(46,661)	(181,621)	-	-
Interest Income		700		(700)			132		(132)		-	-
INCREASE (DECREASE) IN NET POSITION	5,524	267,623	301,029	(170,445)	(297,622)	(132,776)	310,956	64,356	(46,661)	(181,621)	120,363	1,137,139
NET POSITION - JANUARY 1,	3,606,815	157,205	586,320	170,445	297,622	2,505,132	377,221	140,374	46,661	181,621	8,069,416	6,932,277
NET POSITION - DECEMBER 31,	\$ 3,612,339	\$ 424,828	\$ 887,349	\$ -	\$ -	\$ 2,372,356	\$ 688,177	\$ 204,730	\$ -	\$ -	\$ 8,189,779	\$ 8,069,416

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>			<u>2013</u>		
	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Total</u>
ASSETS						
CURRENT ASSETS - UNRESTRICTED:						
Cash	\$ 371,676	\$ 750,291	\$ 1,121,967	\$ 183,018	\$ 490,340	\$ 673,358
Accounts Receivable	159,194	116,564	275,758	145,307	107,754	253,061
Interest Receivable			-	2		2
Due from Restricted Assets			-	258,701	68,769	327,470
Inventory	30,862	20,575	51,437	31,105	20,737	51,842
Prepaid Expenses	1,372	1,372	2,744			-
Total Current Assets - Unrestricted	<u>563,104</u>	<u>888,802</u>	<u>1,451,906</u>	<u>618,133</u>	<u>687,600</u>	<u>1,305,733</u>
CURRENT ASSETS - RESTRICTED:						
Accounts Required by the General Bond Resolution:						
Cash	108,022	42,008	150,030	550,581	251,972	802,553
Investments			-	568,731	151,269	720,000
Interest Receivable			-	775	302	1,077
Other:						
Cash	896,436	145,495	1,041,931	295,706		295,706
Total Current Assets - Restricted	<u>1,004,458</u>	<u>187,503</u>	<u>1,191,961</u>	<u>1,415,793</u>	<u>403,543</u>	<u>1,819,336</u>
NONCURRENT ASSETS:						
Capital Assets, Net	<u>8,155,301</u>	<u>2,792,356</u>	<u>10,947,657</u>	<u>8,458,245</u>	<u>2,918,084</u>	<u>11,376,329</u>
Total Noncurrent Assets	<u>8,155,301</u>	<u>2,792,356</u>	<u>10,947,657</u>	<u>8,458,245</u>	<u>2,918,084</u>	<u>11,376,329</u>
TOTAL ASSETS	<u>9,722,863</u>	<u>3,868,661</u>	<u>13,591,524</u>	<u>10,492,171</u>	<u>4,009,227</u>	<u>14,501,398</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Loss on Defeasance of Debt	<u>2,195</u>	<u>853</u>	<u>3,048</u>	<u>19,668</u>	<u>7,649</u>	<u>27,317</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,195</u>	<u>853</u>	<u>3,048</u>	<u>19,668</u>	<u>7,649</u>	<u>27,317</u>

(Continued)

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2014 AND 2013

	2014			2013		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
LIABILITIES						
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:						
Accounts Payable - Operations	\$ 15,162	\$ 6,004	\$ 21,166	\$ 24,715	\$ 9,480	\$ 34,195
Accrued Liabilities	33,329	14,719	48,048	30,216	13,275	43,491
Total Current Liabilities Payable From Unrestricted Assets	<u>48,491</u>	<u>20,723</u>	<u>69,214</u>	<u>54,931</u>	<u>22,755</u>	<u>77,686</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Due to Unrestricted Assets			-	258,701	68,769	327,470
Revenue Bonds Payable - Current Portion	249,689	74,200	323,889	341,053	70,000	411,053
Accrued Interest Payable - Bonds and Notes	4,175	1,623	5,798	7,496	1,700	9,196
Developer Escrow Liability	2,260		2,260	2,257		2,257
Total Current Liabilities Payable From Restricted Assets	<u>256,124</u>	<u>75,823</u>	<u>331,947</u>	<u>609,507</u>	<u>140,469</u>	<u>749,976</u>
LONG-TERM LIABILITIES:						
Revenue Bonds Payable - Non-Current Portion	4,293,279	345,800	4,639,079	4,857,121	435,155	5,292,276
Accrued Compensated Absences	35,569	29,398	64,967	39,384	31,459	70,843
Total Long-Term Liabilities	<u>4,328,848</u>	<u>375,198</u>	<u>4,704,046</u>	<u>4,896,505</u>	<u>466,614</u>	<u>5,363,119</u>
TOTAL LIABILITIES	<u>4,633,463</u>	<u>471,744</u>	<u>5,105,207</u>	<u>5,560,943</u>	<u>629,838</u>	<u>6,190,781</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred Revenue	1,889	105,244	107,133	549	106,877	107,426
Deferred Connection Fees	165,190	27,263	192,453	131,940	29,152	161,092
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>167,079</u>	<u>132,507</u>	<u>299,586</u>	<u>132,489</u>	<u>136,029</u>	<u>268,518</u>
NET POSITION:						
Net Investment in Capital Assets	3,612,339	2,372,356	5,984,695	3,606,815	2,505,132	6,111,947
Restricted:						
Current Debt Service			-	170,445	46,661	217,106
Operations			-	297,622	181,621	479,243
Unrestricted	1,312,177	892,907	2,205,084	743,525	517,595	1,261,120
TOTAL NET POSITION	<u>\$ 4,924,516</u>	<u>\$ 3,265,263</u>	<u>\$ 8,189,779</u>	<u>\$ 4,818,407</u>	<u>\$ 3,251,009</u>	<u>\$ 8,069,416</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
OPERATING REVENUE:						
User Charges and Fees	\$ 1,257,981	\$ 741,734	\$ 1,999,715	\$ 1,264,315	\$ 713,196	1,977,511
Interest on Delinquent Accounts	31,508	18,889	50,397	32,588	17,973	50,561
Septage Fees	278,463		278,463	226,538		226,538
Miscellaneous Income		1,548	1,548	1,019	9,010	10,029
Total Operating Revenue	1,567,952	762,171	2,330,123	1,524,460	740,179	2,264,639
OPERATING EXPENSES:						
Cost of Providing Services	710,249	417,965	1,128,214	763,842	431,755	1,195,597
Administrative and General	237,474	220,392	457,866	191,644	177,030	368,674
Depreciation	330,359	125,730	456,089	256,414	129,110	385,524
Total Operating Expenses	1,278,082	764,087	2,042,169	1,211,900	737,895	1,949,795
OPERATING INCOME	289,870	(1,916)	287,954	312,560	2,284	314,844
NON-OPERATING REVENUE (EXPENSES):						
Connection Fees	10,500	6,804	17,304	15,096		15,096
Interest Income	735	1,521	2,256	2,554	1,110	3,664
Miscellaneous Income	632	42,905	43,537		44,702	44,702
Interest Expense	(150,574)	(27,589)	(178,163)	(124,471)	(29,618)	(154,089)
Loss on Early Extinguishment of Debt	(15,128)		(15,128)			
Debt Issue Costs Incurred	(29,926)	(7,471)	(37,397)	(29,357)		(29,357)
Total Non-Operating Revenue (Expenses)	(183,761)	16,170	(167,591)	(136,178)	16,194	(119,984)
CHANGE IN NET POSITION, BEFORE CAPITAL CONTRIBUTIONS	106,109	14,254	120,363	176,382	18,478	194,860
CAPITAL CONTRIBUTIONS			-	942,279		942,279
CHANGE IN NET POSITION	106,109	14,254	120,363	1,118,661	18,478	1,137,139
NET POSITION - JANUARY 1,	4,818,407	3,251,009	8,069,416	3,699,746	3,232,531	6,932,277
NET POSITION- DECEMBER 31,	\$ 4,924,516	\$ 3,265,263	\$ 8,189,779	\$ 4,818,407	\$ 3,251,009	\$ 8,069,416

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2014**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	SEWER OPERATIONS			WATER OPERATIONS		
	2014 BUDGET	2014 ACTUAL	2013 ACTUAL	2014 BUDGET	2014 ACTUAL	2013 ACTUAL
REVENUE:						
User Charges and Fees	\$ 1,254,488	\$ 1,257,981	\$ 1,264,315	\$ 709,633	\$ 741,734	\$ 713,196
Interest on Delinquent Accounts	25,000	31,508	32,588	12,000	18,889	17,973
Connection Fees	17,500	10,500	15,096	3,780	6,804	
Septage Fees	200,000	278,463	226,538			
Miscellaneous Operating Income	1,000	632	1,019	2,000	1,548	9,010
Miscellaneous Non-Operating Income				39,000	42,905	44,702
Interest on Investments	3,500	735	2,554	2,500	1,521	1,110
Net Position Appropriated	296,319			140,374		
Total Revenue	1,797,807	1,579,819	1,542,110	909,287	813,401	785,991
EXPENSES:						
Costs of Providing Services:						
Salaries and Wages	286,764	272,094	285,756	218,096	210,248	218,395
Employee Benefits	165,077	119,324	114,445	121,211	85,438	81,407
Automotive Expenses	15,000	4,862	5,804	10,000	4,333	4,592
Office Supplies - Plant	3,000	1,379	2,008	2,000	599	1,636
Operating Supplies	164,000	93,631	92,717	43,500	24,796	29,155
Utilities	178,000	167,695	163,471	83,000	75,761	73,996
Repairs and Maintenance	85,000	31,192	73,979	30,000	10,661	14,789
General Expense			2,826	1,500		
Laboratory Supplies	6,000	7,122	6,689	3,000	2,122	2,952
Laboratory Testing	30,000	12,950	16,147	5,000	2,534	2,759
Public Water Tax				2,500	1,473	2,074
	932,841	710,249	763,842	519,807	417,965	431,755
Administrative and General Expenses:						
Salaries and Wages	61,301	63,085	45,601	61,301	63,085	45,601
Employee Benefits	34,059	45,721	35,103	34,059	45,721	34,553
Office Supplies and Expenses	7,500	7,830	6,957	7,500	7,830	6,926
Computer Expense	6,000	4,516	4,766	9,000	4,368	12,416
Professional Services	83,000	64,092	49,469	55,500	57,437	41,698
Insurance	18,000	14,962	16,567	17,000	14,962	16,567
Postage/Billing	5,000	3,740	3,865	6,000	4,073	3,705
Telephone	5,500	4,717	4,906	5,500	4,717	4,905
Education	4,000	2,948		2,000	3,313	725
Legal Advertising	1,000	1,014	675	1,000	717	675
Licenses, Fees, Permits and Assessments	35,000	24,849	23,735	10,000	8,605	8,105
Provision for Doubtful Accounts					5,564	1,154
	260,360	237,474	191,644	208,860	220,392	177,030
Interest Expense	138,549	132,470	107,335	20,620	20,548	22,954

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF REVENUES AND COSTS FUNDED BY
 REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
 YEAR ENDED DECEMBER 31, 2014
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013**

	SEWER OPERATIONS			WATER OPERATIONS		
	2014 BUDGET	2014 ACTUAL	2013 ACTUAL	2014 BUDGET	2014 ACTUAL	2013 ACTUAL
OTHER COSTS FUNDED BY REVENUES:						
Principal Maturities	\$ 341,057	\$ 341,053	\$ 301,872	\$ 70,000	\$ 70,000	\$ 68,600
Reserve For Future Debt Service						
Other Reserves	75,000	75,000		50,000	50,000	
Capital Outlays	50,000	27,417	19,313	40,000		
	<u>466,057</u>	<u>443,470</u>	<u>321,185</u>	<u>160,000</u>	<u>120,000</u>	<u>68,600</u>
TOTAL COSTS FUNDED BY REVENUES	<u>1,797,807</u>	<u>1,523,663</u>	<u>1,384,006</u>	<u>909,287</u>	<u>778,905</u>	<u>700,339</u>
REVENUES OVER COSTS FUNDED BY REVENUES	<u>\$ -</u>	56,156	158,104	<u>\$ -</u>	34,496	85,652
Reconciliation of Budgetary Basis to Change in Net Position						
Adjustments to Budgetary Basis:						
Principal Maturities		341,053	301,872		70,000	68,600
Capital Outlays		27,417	19,313		-	-
Other Reserves		75,000	-		50,000	-
Depreciation		(330,359)	(256,414)		(125,730)	(129,110)
Debt Issue Costs Incurred		(29,926)	(29,357)		(7,471)	-
Loss on Early Extinguishment of Debt		(15,128)				
Amortization Charged to Interest Expense		(18,104)	(17,136)		(7,041)	(6,664)
Capital Contributions		-	942,279		-	-
CHANGE IN NET POSITION PER EXHIBIT B		<u>\$ 106,109</u>	<u>\$ 1,118,661</u>		<u>\$ 14,254</u>	<u>\$ 18,478</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 A
DECEMBER 31, 2014**

<u>ORIGINAL</u>		<u>MATURITIES</u>			<u>BALANCE</u>	<u>PRINCIPAL</u>	<u>DEFEASED</u>	<u>BALANCE</u>
<u>DATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>JANUARY 1,</u>	<u>MATURITIES</u>	<u>2014</u>	<u>DECEMBER 31,</u>
					<u>2014</u>	<u>2014</u>		<u>2014</u>
9/1/2003	\$ 5,995,000	N/A	N/A	N/A	\$ 1,805,000	\$ 250,000	\$ 1,555,000	\$ -
					<u>\$ 1,805,000</u>	<u>\$ 250,000</u>	<u>\$ 1,555,000</u>	<u>\$ -</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 L
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2014**

<u>ORIGINAL</u>		<u>MATURITIES</u>		<u>BALANCE</u>	<u>ISSUED</u>	<u>PRINCIPAL</u>	<u>BONDS</u>	<u>BALANCE</u>
<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>JANUARY 1,</u>	<u>2014</u>	<u>MATURITIES</u>	<u>PREPAID</u>	<u>DECEMBER 31,</u>
				<u>2014</u>		<u>2014</u>	<u>2014</u>	<u>2014</u>
9/1/2003	\$ 546,310	N/A	N/A	\$ 128,580	\$ -	\$ 43,396	\$ 85,184	\$ -
				<u>\$ 128,580</u>	<u>\$ -</u>	<u>\$ 43,396</u>	<u>\$ 85,184</u>	<u>\$ -</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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 T
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2014**

<u>ORIGINAL</u>		<u>MATURITIES</u>			<u>BALANCE</u>	<u>PRINCIPAL</u>	<u>BONDS</u>	<u>BALANCE</u>
<u>DATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>JANUARY 1,</u>	<u>MATURITIES</u>	<u>PREPAID</u>	<u>DECEMBER 31,</u>
					<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
9/1/2003	\$ 690,000	N/A	N/A	N/A	\$ 250,000	\$ 60,000	\$ 190,000	\$ -
					<u>\$ 250,000</u>	<u>\$ 60,000</u>	<u>\$ 190,000</u>	<u>\$ -</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.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2013
DECEMBER 31, 2014**

ORIGINAL		MATURITIES			BALANCE	ISSUED	PAID	BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2014	2014	2014	DECEMBER 31, 2014
6/28/2013	\$ 3,549,000	2.125%	2015	58,889	\$ 3,520,625	\$ -	\$ 57,657	\$ 3,462,968
			2016	60,148				
			2017	61,432				
			2018	62,744				
			2019	64,085				
			2020	65,454				
			2021	66,852				
			2022	68,281				
			2023	69,739				
			2024	71,229				
			2025	72,750				
			2026	74,305				
			2027	75,892				
			2028	77,513				
			2029	79,169				
			2030	80,861				
			2031	82,588				
			2032	84,352				
			2033	86,154				
			2034	87,995				
			2035	89,875				
			2036	91,795				
			2037	93,755				
			2038	95,758				
			2039	97,804				
			2040	99,894				
			2041	102,027				
			2042	104,207				
			2043	106,433				
			2044	108,707				
			2045	111,029				
			2046	113,401				
			2047	115,824				
			2048	118,298				
			2049	120,825				
			2050	123,406				
			2051	126,042				
			2052	128,736				
			2053	64,720				
					<u>\$ 3,520,625</u>	<u>\$ -</u>	<u>\$ 57,657</u>	<u>\$ 3,462,968</u>

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

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

ROSTER OF OFFICIALS

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

Authority Members

Position

John Brunini	Chairman (to 6/30/14)
Charles Mielke	Chairman (from 7/9/14)/Member (to 7/9/14)
Richard Baker	Vice Chairman/Asst. Treasurer
Francisco Soto	Member
Joseph Santagata	Member (from 7/15/14)
Sharon Woshnak	Member
Michael Feaster	Alternate
E. James Dubois	Alternate (to 6/1/14)

Other Officials

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

Surety Company

New Jersey Utility Authorities Joint Insurance Fund

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2014 AND 2013**

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

NONE NOTED

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
YEAR ENDED DECEMBER 31, 2014**

This section identifies the status of prior-year findings related to the financial statements and Federal Awards that are required to be reported in accordance with *Government Auditing Standards*, U.S. OMB Circular A-133 and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

Financial Statement Findings

None Noted

Federal Awards

None Noted