

**THE TOWN OF HACKETTSTOWN  
MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE  
TOWN OF HACKETTSTOWN)  
REPORT OF AUDIT  
FOR THE YEAR ENDED  
NOVEMBER 30, 2017**

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**TABLE OF CONTENTS**

| <b><u>Page</u></b>                                  |   | <b><u>Exhibit</u></b>  |
|---|---|------------------------|
| 1   | Independent Auditor's Report  |                        |
| <b>REQUIRED SUPPLEMENTARY INFORMATION - PART I</b>  |   |                        |
| 4   | Management's Discussion and Analysis  |                        |
| <b>FINANCIAL STATEMENTS</b>                         |   |                        |
| 12  | Statement of Net Position   | A                      |
| 15  | Statement of Revenues, Expenses and Changes in Net Position   | B                      |
| 16  | Statement of Cash Flows   | C                      |
| 18  | Notes to Financial Statements   |                        |
| <b>REQUIRED SUPPLEMENTARY INFORMATION - PART II</b> |   |                        |
| 48  | Schedule of the Authority's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS)               | RSI-1                  |
| 49  | Schedule of the Authority's Contributions Public Employees' Retirement System (PERS)  | RSI-2                  |
| 50  | Notes to Required Supplementary Information   |                        |
| <b>SUPPLEMENTARY SCHEDULES</b>                      |   | <b><u>Schedule</u></b> |
| 51  | Supplemental Schedule of Revenues, Expenses and Changes in Net Position- Water Fund   | 1                      |
| 53  | Supplemental Schedule of Revenues, Expenses and Changes in Net Position- Sewer  | 2                      |
| 55  | Supplemental Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted and Restricted Accounts | 3                      |
| 57  | Supplemental Schedule of Operating Revenue Compared to Budget - Water Fund  | 4                      |
| 62  | Supplemental Schedule of Operating Revenue Compared to Budget -Sewer Fund   | 5                      |
| 67  | Schedule of Capital Budget Program  | 6                      |
| 68  | Schedule of Revenue and Revenue Refunding Bonds- Water Fund   | 7                      |
| 69  | Schedule of Revenue and Revenue Refunding Bonds- Sewer Fund   | 8                      |
| 70  | Roster of Officials and Report on Surety Bonds  | 9                      |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**TABLE OF CONTENTS, (continued)**

**Page**

|    |  |
|----|--|
| 71 | 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 |
| 73 | Schedule of Findings and Questioned Costs  |
| 74 | General Comments   |

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members of  
The Town of Hackettstown Municipal Utilities Authority  
Hackettstown, NJ 07840

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the Town of Hackettstown Municipal Utilities Authority as of November 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, 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 misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Hackettstown Municipal Utilities Authority as of November 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### ***Prior Period Restatement***

The Authority's financial statements for the year ending November 30, 2016 were previously issued with an escrow payable included as a restricted component of net position and a liability established for contracts and retainage payable. Current governmental accounting standards require payable accounts to be reported as liabilities on the statement of net position and contracts/retained obligations only be disclosed in the notes to the financial statements. The Authority has restated these prior year balances to conform with the requirements of current governmental accounting standards, as discussed in Note 16 in the notes to the financial statements. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion, and Analysis and schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 Authority's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates 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 supplemental information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018 on our consideration of the Town of Hackettstown 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 Town of Hackettstown Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

*Ferraioli, Wielkatz, Cerullo & Cusa, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Newton, New Jersey

May 2, 2018

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**Required Supplementary Information - Part I**

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## **Management Discussion and Analysis**

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

*As management of the Town of Hackettstown Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended November 30, 2017 and 2016. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

**Financial Highlights**

- The Authority's combined assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$51,529,432 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51,149,258, as restated.
- Total combined net position are comprised of the following:
  - (1) Net investment in capital assets of \$44,335,057 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Restricted net position of \$4,256,341 restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$2,938,034 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total combined liabilities of the Authority decreased by \$1,158,448 to \$6,671,377 during the fiscal year.

**Overview of the Financial Statements**

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

***Required Financial Statements***

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets), the consumption of net position that is applicable to a future period (deferred outflows of resources), the acquisition of net position that is applicable to a future reporting period (deferred inflows of resources) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

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 results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**Financial Analysis of the Authority**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this 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 net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – 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 position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's combined net position at fiscal year-end are \$51,529,432. This is a \$380,174 increase over last year's restated net position of \$5,149,258. A summary of the Authority's combined statement of net position is presented in the following table:

**Condensed Statement of Net Position - Water and Sewer Funds**

|                                       | <u>FY 2017</u>    | <u>Restated<br/>FY 2016</u> | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|---------------------------------------|-------------------|-----------------------------|--------------------------|---------------------------|
| <b>ASSETS</b>                         |                   |                             |                          |                           |
| Current Assets:                       |                   |                             |                          |                           |
| Unrestricted:                         |                   |                             |                          |                           |
| Cash and Investments                  | 7,101,994         | 6,898,421                   | 203,573                  | 2.95                      |
| Change Fund                           | 100               | 100                         | 0                        | 0.00                      |
| Accounts Receivable                   | 140,191           | 101,987                     | 38,204                   | 37.46                     |
| Prepaid Expenses                      | 52,489            | 8,254                       | 44,235                   | 535.92                    |
| Restricted:                           |                   |                             |                          |                           |
| Cash and Investments                  | <u>4,425,243</u>  | <u>4,739,137</u>            | <u>(313,894)</u>         | <u>(6.62)</u>             |
| Total Current Assets                  | <u>11,720,017</u> | <u>11,747,899</u>           | <u>(27,882)</u>          | <u>(0.24)</u>             |
| Noncurrent Assets:                    |                   |                             |                          |                           |
| Capital Assets                        |                   |                             |                          |                           |
| Capital Assets Not Being Depreciated: |                   |                             |                          |                           |
| Land                                  | 747,800           | 747,800                     | 0                        | 0.00                      |
| Capital Assets                        | 72,793,303        | 71,069,946                  | 1,723,357                | 2.42                      |
| Less: Accumulated Depreciation        | (28,989,395)      | (28,073,742)                | (915,653)                | 3.26                      |
| Construction in Progress              | <u>1,803,988</u>  | <u>2,099,523</u>            | <u>(295,535)</u>         | <u>(14.08)</u>            |
|                                       |                   |                             |                          | 1.12                      |
| Total Capital Assets                  | <u>46,355,696</u> | <u>45,843,527</u>           | <u>512,169</u>           |                           |
| Total Assets                          | <u>58,075,713</u> | <u>57,591,426</u>           | <u>484,287</u>           | 0.84                      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                   |                             |                          |                           |
| Pension Deferred Outflows             | <u>1,172,705</u>  | <u>1,470,354</u>            | <u>(297,649)</u>         | <u>(20.24)</u>            |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**Net Position (Continued)**

**Condensed Statement of Net Position - Water and Sewer Funds**  
**(Continued)**

|                                      | <u>FY 2017</u>    | <u>Restated<br/>FY 2016</u> | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|--------------------------------------|-------------------|-----------------------------|--------------------------|---------------------------|
| <b>LIABILITIES</b>                   |                   |                             |                          |                           |
| Current Liabilities:                 |                   |                             |                          |                           |
| Unrestricted:                        |                   |                             |                          |                           |
| Accounts Payable                     | 72,799            | 112,850                     | (40,051)                 | (35.49)                   |
| Accounts Payable - Pension           | <u>160,800</u>    | <u>132,485</u>              | <u>28,315</u>            | 21.37                     |
| Total Current Liabilities            | <u>233,599</u>    | <u>245,335</u>              | <u>(11,736)</u>          | (4.78)                    |
| Restricted:                          |                   |                             |                          |                           |
| Accrued Interest on Debt             | 14,735            | 14,983                      | (248)                    | (1.66)                    |
| Escrow Deposits Payable              | 154,167           | 147,151                     | 7,016                    | 4.77                      |
| Loans Payable - Current Portion      | <u>35,650</u>     | <u>34,141</u>               | <u>1,509</u>             | 4.42                      |
|                                      | <u>204,552</u>    | <u>196,275</u>              | <u>8,277</u>             | 4.22                      |
| Noncurrent Liabilities:              |                   |                             |                          |                           |
| Compensated Absences Payable         | 318,194           | 297,478                     | 20,716                   | 6.96                      |
| Net Pension Liability                | 3,930,043         | 5,070,098                   | (1,140,055)              | (22.49)                   |
| Loans Payable                        | <u>1,984,989</u>  | <u>2,020,639</u>            | <u>(35,650)</u>          | (1.76)                    |
| Total Noncurrent Liabilities         | <u>6,233,226</u>  | <u>7,388,215</u>            | <u>(1,154,989)</u>       | (15.63)                   |
| Total Liabilities                    | <u>6,671,377</u>  | <u>7,829,825</u>            | <u>(1,158,448)</u>       | (14.80)                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b> |                   |                             |                          |                           |
| Pension Deferred Inflows             | <u>1,047,609</u>  | <u>82,697</u>               | <u>964,912</u>           | 1,166.80                  |
| <b>NET POSITION</b>                  |                   |                             |                          |                           |
| Net Investment in Capital Assets     | 44,335,057        | 43,788,747                  | 546,310                  | 1.25                      |
| Restricted                           | 4,256,341         | 4,577,003                   | (320,662)                | (7.01)                    |
| Unrestricted                         | <u>2,938,034</u>  | <u>2,783,508</u>            | <u>154,526</u>           | 5.55                      |
| Total Net Position                   | <u>51,529,432</u> | <u>51,149,258</u>           | <u>380,174</u>           | 0.74                      |



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**Net Position (Continued)**

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$380,174.

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position - Water and Sewer Funds**

|  | <u>FY 2017</u>    | <u>Restated<br/>FY 2016</u> | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|--|-------------------|-----------------------------|--------------------------|---------------------------|
| Operating Revenue:                       |                   |                             |                          |                           |
| Service Charges                          | 4,615,218         | 4,825,092                   | (209,874)                | (4.35)                    |
| Connection Fees                          | 231,149           | 34,492                      | 196,657                  | 570.15                    |
| Miscellaneous                            | <u>149,046</u>    | <u>          </u>           | <u>149,046</u>           | 100.00                    |
| Total Operating Revenue                  | <u>4,995,413</u>  | <u>4,859,584</u>            | <u>135,829</u>           | 2.80                      |
| Operating Expense:                       |                   |                             |                          |                           |
| Salaries and Wages                       | 1,228,016         | 1,298,998                   | (70,982)                 | (5.46)                    |
| Fringe Benefits                          | 796,111           | 1,170,467                   | (374,356)                | (31.98)                   |
| Other Expenses                           | 1,149,780         | 1,358,336                   | (208,556)                | (15.35)                   |
| Depreciation Expense                     | <u>1,413,836</u>  | <u>1,137,831</u>            | 276,005                  | 24.26                     |
| Total Operating Expense                  | <u>4,587,743</u>  | <u>4,965,632</u>            | <u>(377,889)</u>         | (7.61)                    |
| Operating Income                         | <u>407,670</u>    | <u>(106,048)</u>            | <u>513,718</u>           | (484.42)                  |
| Non-Operating Revenue (Expense):         |                   |                             |                          |                           |
| Interest on Investments                  | 82,499            | 58,002                      | 24,497                   | 42.23                     |
| Accumulated Sick and Vacation            | (20,716)          | 87,811                      | (108,527)                | (123.59)                  |
| Interest Expense                         | (89,279)          | (90,735)                    | 1,456                    | (1.60)                    |
| Other Non-Operating Revenues             | <u>          </u> | <u>75,492</u>               | <u>(75,492)</u>          | (100.00)                  |
|  | <u>(27,496)</u>   | <u>130,570</u>              | <u>(158,066)</u>         | (121.06)                  |
| Increase/(Decrease) in Net Position      | 380,174           | 24,522                      | 355,652                  | 1,450.34                  |
| Net Position - Dec. 1, 2016, as Restated | <u>51,149,258</u> | <u>51,124,736</u>           | <u>24,522</u>            | 0.05                      |
| Net Position - Nov. 30, 2017             | <u>51,529,432</u> | <u>51,149,258</u>           | <u>380,174</u>           | 0.74                      |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**Budgetary Highlights**

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

The following tables provides a FY 2017 budget comparison for the water and sewer funds:

**Budget vs. Actual**  
**FY 2017 - Water Fund**

|                            | <u>Budget</u>    | <u>Actual</u>    | <u>Variance</u> |
|----------------------------|------------------|------------------|-----------------|
| Revenues:                  |                  |                  |                 |
| Operating                  | 2,197,000        | 2,351,539        | 154,539         |
| Non-Operating              | <u>98,000</u>    | <u>100,684</u>   | <u>2,684</u>    |
|                            | <u>2,295,000</u> | <u>2,452,223</u> | <u>157,223</u>  |
| Expenses:                  |                  |                  |                 |
| Operating                  | 1,726,061        | 1,410,476        | 315,585         |
| Non-Operating              | <u>568,939</u>   | <u>568,836</u>   | <u>103</u>      |
|                            | <u>2,295,000</u> | <u>1,979,312</u> | <u>315,688</u>  |
| Income Before Depreciation | <u>0</u>         | <u>472,911</u>   | <u>472,911</u>  |

**Budget vs. Actual**  
**FY 2017 - Sewer Fund**

|                            | <u>Budget</u>    | <u>Actual</u>    | <u>Variance</u> |
|----------------------------|------------------|------------------|-----------------|
| Revenues:                  |                  |                  |                 |
| Operating                  | 2,593,000        | 2,643,874        | 50,874          |
| Non-Operating              | <u>38,000</u>    | <u>41,815</u>    | <u>3,815</u>    |
|                            | <u>2,631,000</u> | <u>2,685,689</u> | <u>54,689</u>   |
| Expenses:                  |                  |                  |                 |
| Operating                  | 1,922,383        | 1,632,206        | 290,177         |
| Non-Operating              | <u>708,617</u>   | <u>708,472</u>   | <u>145</u>      |
|                            | <u>2,631,000</u> | <u>2,340,678</u> | <u>290,322</u>  |
| Income Before Depreciation | <u>0</u>         | <u>345,011</u>   | <u>345,011</u>  |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2017, the Authority had invested \$73,541,103 in combined property, plant and equipment. The Authority's combined net property, plant and equipment at fiscal year end was \$46,355,696. This is an increase of \$512,169 over last year's combined net property, plant and equipment of \$45,843,527. A summary of the Authority's capital assets is presented in the following table:

**Capital Assets - Water and Sewer Funds**

|   | <u>FY 2017</u>      | <u>FY 2016</u>      | <u>Dollar<br/>Change</u> |
|---|---------------------|---------------------|--------------------------|
| Land  | 747,800             | 747,800             | 0                        |
| Buildings/Force Mains/Interceptors,<br>Vehicles and Equipment | <u>72,793,303</u>   | <u>71,069,946</u>   | <u>1,723,357</u>         |
| Total Property, Plant and<br>Equipment                        | 73,541,103          | 71,817,746          | 1,723,357                |
| Less: Accumulated Depreciation                                | <u>(28,989,395)</u> | <u>(28,073,742)</u> | <u>(915,653)</u>         |
| Net Property, Plant and Equipment                             | 44,551,708          | 43,744,004          | 807,704                  |
| Construction in Progress                                      | <u>1,803,988</u>    | <u>2,099,523</u>    | <u>(295,535)</u>         |
| Total Capital Assets  | <u>46,355,696</u>   | <u>45,843,527</u>   | <u>512,169</u>           |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

The Authority's ongoing five year capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below:

|                                      |                   |
|--------------------------------------|-------------------|
| Water:                               |                   |
| Equip. Replacement/Improvements      | 730,000           |
| Water Meter Replacement              | 330,000           |
| Water Main Replacement               | 3,700,000         |
| Replace 1.0 MG Water Tank            | <u>900,000</u>    |
| Total                                | <u>5,660,000</u>  |
| Sewer:                               |                   |
| Equip. Replacement/Improvements      | 3,075,000         |
| Replace Sewer Jet/Camera Equip.      | 550,000           |
| Nit Tank Diffuser/Blower Replacement | 620,000           |
| UV System Replacement                | 800,000           |
| Total                                | <u>5,045,000</u>  |
| TOTAL                                | <u>10,705,000</u> |

### **Debt Administration**

As of November 30, 2017, the Authority had outstanding United States Department of Agriculture Rural Development Loans in the amount of \$2,020,639. The debt service schedule goes out to 2034. Interest rates range from 2.19% to 4.36%. Full details of the specific bond issues outstanding are found in Note 6 to the financial statements and the supplementary schedules.

### **Economic Factors, Future Years' Budgets and Rates**

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

### **Contacting the Authority**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Town of Hackettstown Municipal Utilities, Municipal Building, 424 Hurley Drive, Hackettstown, New Jersey 07840.

## **Financial Statements**

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF NET POSITION**  
**NOVEMBER 30, 2017**

**EXHIBIT A**  
Page 1 of 3

| <u>ASSETS</u>                  | Water Fund               | Sewer Fund               | Total                    |
|--------------------------------|--------------------------|--------------------------|--------------------------|
| <b>Current Assets:</b>         |                          |                          |                          |
| <u>Unrestricted:</u>           |                          |                          |                          |
| Cash and Cash equivalents      | \$ 228,782               | \$ 2,154,389             | \$ 2,383,171             |
| Investments                    | 2,457,629                | 2,261,194                | 4,718,823                |
| Change Fund                    | 50                       | 50                       | 100                      |
| Accounts Receivable            | 91,647                   | 48,544                   | 140,191                  |
| Prepaid Expenses               | 48,362                   | 4,127                    | 52,489                   |
|                                | 2,826,470                | 4,468,304                | 7,294,774                |
| <br><u>Restricted:</u>         |                          |                          |                          |
| Escrow Fund:                   |                          |                          |                          |
| Cash and Cash equivalents      | 77,083                   | 77,084                   | 154,167                  |
| Construction Aid Fund:         |                          |                          |                          |
| Investments                    | 722,992                  | 2,082,199                | 2,805,191                |
| Bond Service Fund:             |                          |                          |                          |
| Investments                    | 9,892                    | 13,659                   | 23,551                   |
| Bond Reserve Account:          |                          |                          |                          |
| Investments                    | 42,840                   | 59,160                   | 102,000                  |
| Renewal and Extension Account: |                          |                          |                          |
| Investments                    | 25,000                   | 545,334                  | 570,334                  |
| Rate Stabilization Fund:       |                          |                          |                          |
| Investments                    | 375,000                  | 375,000                  | 750,000                  |
| Operating Reserve Fund:        |                          |                          |                          |
| Cash and Cash equivalents      | 10,000                   | 10,000                   | 20,000                   |
|                                | 1,262,807                | 3,162,436                | 4,425,243                |
| <br><b>Non-Current Assets:</b> |                          |                          |                          |
| <u>Capital Assets:</u>         |                          |                          |                          |
| Land                           | 350,000                  | 397,800                  | 747,800                  |
| Capital Assets                 | 35,358,012               | 37,435,291               | 72,793,303               |
| Less: Accumulated Depreciation | (11,790,868)             | (17,198,527)             | (28,989,395)             |
| Construction in Progress       | 1,078,208                | 725,780                  | 1,803,988                |
|                                | 24,995,352               | 21,360,344               | 46,355,696               |
| <br><b>TOTAL ASSETS</b>        | <br><b>\$ 29,084,629</b> | <br><b>\$ 28,991,084</b> | <br><b>\$ 58,075,713</b> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF NET POSITION**  
**NOVEMBER 30, 2017**

**EXHIBIT A**  
Page 2 of 3

|  | Water Fund       | Sewer Fund       | Total            |
|--|------------------|------------------|------------------|
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b> |                  |                  |                  |
| <b>Deferred Outflows:</b>                    |                  |                  |                  |
| Deferred Pension-Related Outflows            | 586,353          | 586,352          | 1,172,705        |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>  | <b>586,353</b>   | <b>586,352</b>   | <b>1,172,705</b> |
| <b><u>LIABILITIES</u></b>                    |                  |                  |                  |
| <b>Current Liabilities:</b>                  |                  |                  |                  |
| <u>Payable from Unrestricted Assets:</u>     |                  |                  |                  |
| Accounts Payable and Accrued Liabilities     | \$ 18,321        | \$ 54,478        | \$ 72,799        |
| Accounts Payable - Pension-Related           | 80,400           | 80,400           | 160,800          |
| Total Payable from Unrestricted Assets       | 98,721           | 134,878          | 233,599          |
| <u>Payable from Restricted Assets:</u>       |                  |                  |                  |
| Accrued Interest Payable                     | 6,189            | 8,546            | 14,735           |
| Escrow Deposits Payable                      | 77,083           | 77,084           | 154,167          |
| Loans Payable - Current Portion              | 14,973           | 20,677           | 35,650           |
| Total Payable from Restricted Assets         | 98,245           | 106,307          | 204,552          |
| <b>Non-Current Liabilities:</b>              |                  |                  |                  |
| Compensated Absences Payable                 | 159,097          | 159,097          | 318,194          |
| Net Pension Obligation                       | 1,965,022        | 1,965,021        | 3,930,043        |
| Loans Payable - Long-Term Portion            | 833,696          | 1,151,293        | 1,984,989        |
| Total Non-Current Liabilities                | 2,957,815        | 3,275,411        | 6,233,226        |
| <b>TOTAL LIABILITIES</b>                     | <b>3,154,781</b> | <b>3,516,596</b> | <b>6,671,377</b> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF NET POSITION**  
**NOVEMBER 30, 2017**

**EXHIBIT A**  
Page 3 of 3

|  | <b>Water Fund</b>    | <b>Sewer Fund</b>    | <b>Total</b>         |
|--|----------------------|----------------------|----------------------|
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                |                      |                      |                      |
| <b>Deferred Inflows:</b>                                   |                      |                      |                      |
| Deferred Pension-Related Inflows                           | 523,805              | 523,804              | 1,047,609            |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                 | <b>523,805</b>       | <b>523,804</b>       | <b>1,047,609</b>     |
| <br><b><u>NET POSITION</u></b>                             |                      |                      |                      |
| <b>Net Position:</b>                                       |                      |                      |                      |
| Net Investment in Leasehold Interest<br>and Capital Assets | 24,146,683           | 20,188,374           | 44,335,057           |
| Restricted:  |                      |                      |                      |
| Construction Fund  | 722,992              | 2,082,199            | 2,805,191            |
| Current Debt Service                                       | 3,703                | 5,113                | 8,816                |
| Future Debt Service  | 42,840               | 59,160               | 102,000              |
| Renewal and Extension                                      | 25,000               | 545,334              | 570,334              |
| Rate Stabilization   | 375,000              | 375,000              | 750,000              |
| Operating  | 10,000               | 10,000               | 20,000               |
| Unrestricted:  |                      |                      |                      |
| Designated   | 492,346              | 492,346              | 984,692              |
| Undesignated   | 173,832              | 1,779,510            | 1,953,342            |
| <b>TOTAL NET POSITION</b>                                  | <b>\$ 25,992,396</b> | <b>\$ 25,537,036</b> | <b>\$ 51,529,432</b> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
CONDENSED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED NOVEMBER 30, 2017**

**EXHIBIT B**

|   | <u>Water Fund</u>    | <u>Sewer Fund</u>    | <u>Total</u>         |
|---|----------------------|----------------------|----------------------|
| <b>Operating Revenue:</b>                           |                      |                      |                      |
| Service Charges                                     | \$ 2,169,873         | \$ 2,445,345         | \$ 4,615,218         |
| Connection Fees                                     | 69,592               | 161,557              | 231,149              |
| Miscellaneous                                       | 112,074              | 36,972               | 149,046              |
|   | <hr/>                | <hr/>                | <hr/>                |
| Total Operating Revenue                             | 2,351,539            | 2,643,874            | 4,995,413            |
|   | <hr/>                | <hr/>                | <hr/>                |
| <b>Operating Expenses:</b>                          |                      |                      |                      |
| Salaries and Wages                                  | 597,732              | 630,284              | 1,228,016            |
| Fringe Benefits                                     | 399,146              | 396,965              | 796,111              |
| Other Expenses                                      | 479,210              | 670,570              | 1,149,780            |
| Depreciation Expense                                | 471,874              | 941,962              | 1,413,836            |
|   | <hr/>                | <hr/>                | <hr/>                |
| Total Operating Expenses                            | 1,947,962            | 2,639,781            | 4,587,743            |
|   | <hr/>                | <hr/>                | <hr/>                |
| Operating Income                                    | 403,577              | 4,093                | 407,670              |
|   | <hr/>                | <hr/>                | <hr/>                |
| <b>Non-Operating Revenue (Expenses):</b>            |                      |                      |                      |
| Interest on Investments                             | 40,684               | 41,815               | 82,499               |
| Accumulated Sick and Vacation                       | (10,358)             | (10,358)             | (20,716)             |
| Interest Expense                                    | (37,498)             | (51,781)             | (89,279)             |
|   | <hr/>                | <hr/>                | <hr/>                |
| Non-Operating Income (Loss)                         | (7,172)              | (20,324)             | (27,496)             |
|   | <hr/>                | <hr/>                | <hr/>                |
| <b>Change In Net Position</b>                       | 396,405              | (16,231)             | 380,174              |
|   | <hr/>                | <hr/>                | <hr/>                |
| <b>Net Position - December 1, 2016, As Restated</b> | 25,571,886           | 25,020,799           | 50,592,685           |
|   | <hr/>                | <hr/>                | <hr/>                |
| <b>Prior-Period Adjustment:</b>                     |                      |                      |                      |
| Reclassification of Escrow Payable                  | (73,576)             | (73,575)             | (147,151)            |
| Cancellation of Contracts/Retainage Payable         | 97,681               | 606,043              | 703,724              |
|   | <hr/>                | <hr/>                | <hr/>                |
| <b>Net Position - December 1, 2016, As Restated</b> | 25,595,991           | 25,553,267           | 51,149,258           |
|   | <hr/>                | <hr/>                | <hr/>                |
| <b>Net Position - November 30, 2017</b>             | \$ <u>25,992,396</u> | \$ <u>25,537,036</u> | \$ <u>51,529,432</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | <u>Water Fund</u>  | <u>Sewer Fund</u>   | <u>Total</u>        |
|---|--------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>                |                    |                     |                     |
| Cash Received from Service Charges                          | \$ 2,126,858       | 2,450,154           | \$ 4,577,012        |
| Other Receipts  | 181,666            | 198,529             | 380,195             |
| Cash Paid to Vendors and Employees                          | <u>(1,462,771)</u> | <u>(1,637,583)</u>  | <u>(3,100,354)</u>  |
| <b>Net Cash Provided by Operating Activities</b>            | <u>845,753</u>     | <u>1,011,100</u>    | <u>1,856,853</u>    |
| <b>Cash Flow from Investing Activities:</b>                 |                    |                     |                     |
| Interest Earned on Investments                              | 40,684             | 41,815              | 82,499              |
| (Increase) Decrease in Investments                          | <u>(456,615)</u>   | <u>786,138</u>      | <u>329,523</u>      |
| <b>Net Cash Provided by (used in) Investing Activities</b>  | <u>(415,931)</u>   | <u>827,953</u>      | <u>412,022</u>      |
| <b>Cash Flow from Financing Activities:</b>                 |                    |                     |                     |
| Principal Payment on Loan                                   | (14,339)           | (19,804)            | (34,143)            |
| Interest Paid on Loan                                       | (37,602)           | (51,925)            | (89,527)            |
| Capital Expenditures Paid                                   | <u>(1,231,085)</u> | <u>(694,921)</u>    | <u>(1,926,006)</u>  |
| <b>Net Cash Used in Financing Activities</b>                | <u>(1,283,026)</u> | <u>(766,650)</u>    | <u>(2,049,676)</u>  |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b> | (853,204)          | 1,072,403           | 219,199             |
| <b>Cash and Cash Equivalents - December 1, 2016</b>         | <u>1,169,069</u>   | <u>1,169,070</u>    | <u>2,338,139</u>    |
| <b>Cash and Cash Equivalents - November 30, 2017</b>        | <u>\$ 315,865</u>  | <u>\$ 2,241,473</u> | <u>\$ 2,557,338</u> |
| <b>Analysis of Balance:</b>                                 |                    |                     |                     |
| Unrestricted  | \$ 228,782         | \$ 2,154,389        | \$ 2,383,171        |
| Restricted  | <u>87,083</u>      | <u>87,084</u>       | <u>174,167</u>      |
|   | <u>\$ 315,865</u>  | <u>\$ 2,241,473</u> | <u>\$ 2,557,338</u> |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|  | <b>Water Fund</b> | <b>Sewer Fund</b> | <b>Total</b> |
|--|-------------------|-------------------|--------------|
| <b>OPERATING INCOME (LOSS)</b>   | \$ 403,577        | \$ 4,093          | \$ 407,670   |
| <b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b> |                   |                   |              |
| Depreciation Expense   | 471,874           | 941,962           | 1,413,836    |
| Decrease (Increase) in Accounts Receivable   | (43,015)          | 4,809             | (38,206)     |
| Decrease (Increase) in Prepaid Expenses  | (44,235)          |                   | (44,235)     |
| Increase (Decrease) in Accounts Payable  | (7,208)           | (4,525)           | (11,733)     |
| Increase (Decrease) in Pension-Related Liabilities   | 61,253            | 61,253            | 122,506      |
| Increase (Decrease) in Escrow Deposits   | 3,507             | 3,508             | 7,015        |
| <b>Total Adjustments</b>   | 442,176           | 1,007,007         | 1,449,183    |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | \$ 845,753        | \$ 1,011,100      | \$ 1,856,853 |

**Notes to Financial Statements**

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**

**NOTE 1: GENERAL**

Pursuant to the Municipal Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957, of the State of New Jersey, approved August 22, 1957, as amended and supplemented, the Authority was created by virtue of an ordinance duly and finally adopted on February 15, 1965, by the Town Council of the Town of Hackettstown as the governing body thereof, and is a public body politic and corporate of the State of New Jersey organized and existing under said Law, constituting a political subdivision and established as an instrumentality exercising public and essential governmental functions to provide for the public health and welfare, with all necessary or proper powers to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewage or other wastes and to provide for utility services designed to provide or distribute an adequate supply of water for public and private users and to relieve pollution of the water in, bordering or entering the Town from pollution or threatened pollution and for improvement of conditions affecting the public health and with all the powers, privileges and authority conferred by said law.

The Town of Hackettstown Municipal Utilities Authority is a component unit of the primary government of the Town of Hackettstown. The Commissioners of the Town of Hackettstown Municipal Utilities Authority are appointed by the Town Council of the Town of Hackettstown for staggered terms of five years.

The Authority acquired and placed into operation a water supply and distribution system for provision and distribution of water within a portion of the Town and a sanitary sewerage system for collection, treatment and disposal of certain sanitary sewage and other wastes arising in a portion of the Town. The Authority proceeded with plans and designs for a water supply and distribution system and a sanitary sewerage system and acquired and constructed said systems to provide for the distribution of water for the collection, treatment and disposal of sanitary sewerage and other wastes in the remaining portions of the Town.

The Town and the Authority have each determined that it was economical and otherwise advantageous to each of them and to the residents and property owners of the Town for the Town and the Authority to enter into a single contract providing for and relating to the sale and supplying of water in the Town by means of said water system and the treatment and disposal of sewage and other wastes originating in the Town by means of said sewerage system and the cost and expense of such sale and supplying of water and of such treatment and disposal, which contract, among other things, obligated the Authority to proceed promptly with the design, acquisition and construction and placing in operation of said water system and said sewerage system and obligated the Town to pay to the Authority such sum or sums of money as may be

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 1. GENERAL, (continued)**

necessary to provide for deficits (if any) resulting from failure or disability of the Authority to derive adequate revenues from the operation of said water system and said sewerage system. The Town and Authority have each duly authorized its proper officials to enter into and execute an agreement between the Town and the Authority, each binding itself and its successors.

The Authority services portions of the Townships of Washington and Mount Olive in Morris County, the Township of Mansfield and Independence in Warren County, and all of the Town of Hackettstown in Warren County.

The Authority bills and collects its revenue from users of the system and its rates are not regulated by the Board of Public Utilities.

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. Basis of Presentation**

The financial statements of the Town of Hackettstown Municipal Utilities Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations 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 services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described on the pages to follow.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**A. Basis of Presentation, (continued)**

On December 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**B. Reporting Entity**

The Authority's financial statements include the accounts of all Authority operations. The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**B. Reporting Entity, (continued)**

Based on this criteria, the Authority is a legally separate organization and has no component units.

**C. Risks of Loss**

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

**D. Grants**

Contributions received from Federal and State grants are recorded in the period received. Grants externally restricted for non-operating purposes are recorded as a change in invested in capital assets, net of related debt.

**E. Inventory**

Inventory of materials and supplies are not material and therefore are recorded as expenses at the time of purchase. The cost of inventories is not included on the balance sheet.

**F. Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**F. Property, Plant and Equipment, (continued)**

|                          |             |
|--------------------------|-------------|
| Buildings                | 20-50 Years |
| Improvements             | 10-20 Years |
| Machinery and Equipment  | 5-10 Years  |
| Light Trucks and Vehicle | 5 Years     |
| Heavy Trucks and Vehicle | 6 Years     |
| Infrastructure           | 10-50 Years |

Land and Construction in Progress are not depreciated.

Property, plant and equipment has been recorded by major categories, there are no formal property records being maintained. The Authority does not maintain a formal inventory of plant, property and equipment.

Example: All equipment which was included with the initial construction of the treatment facility was lumped together as one item of equipment. Proper accounting for fixed assets requires the labeling of each individual asset and the itemization in the property records.

**G. Compensated Absences**

The Authority's policies regarding compensated absences permit employees to accumulate earned but unused sick leave and vacation time. The proprietary fund reports the liability as it is incurred.

**H. Deferred Outflows and Deferred Inflows of Resources**

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

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**H. Deferred Outflows and Deferred Inflows of Resources, (continued)**

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

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

Deferred Gain or Loss on Refunding of Bonds - Deferred gain or loss on refunding arising from the issuance of refunding bonds, is recorded as a deferred outflow of resources or deferred inflow of resources. The deferred gain or loss is amortized over the life of the bonds in a systematic and rational method as a component of amortization expense.

Bond Premiums - Bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of amortization expense.

**I. Restricted Accounts**

| <u>Account</u>                         | <u>Amount</u>  | <u>Use for which restricted</u>   |
|--|--|---|
| Revenue                                | All revenue received by the Authority.                                   | Authorized operating expenses and, as of the last day of each quarter, transfers to the various accounts described below. |
| Construction                           | Proceeds of debt issued, construction grants-in-Aid and connection fees. | Construction costs of the Water and Sewer System.   |
| Bond Service<br>(Current Debt Service) | Amount needed to pay matured principal and interest.                     | Principal and interest on the debt.   |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**H. Deferred Outflows and Deferred Inflows of Resources, (continued)**

| <u>Account</u>                        | <u>Amount</u>   | <u>Use for which restricted</u>   |
|---------------------------------------|---|---|
| Bond Reserve<br>(Future Debt Service) | Amount needed to equal the reserve requirement.   | Transfers to meet minimum levels required in the bond service account.  |
| Improvement and Retirement            | Amount needed to increase the balance to equal the requirements as defined by the resolution (Section 510)                      | Transfers to meet deficiencies in any fund or account, after which funds may be expended for any lawful corporate purpose of the Authority including payment of loans or redemption of bonds. |
| Renewal and Replacement               | Amount needed in the Renewal and Replacement Fund to equal the System Reserve Requirement. Means an amount equal to \$50,000.00 | Major repairs, renewals, replacements or maintenance items of a type not recurring annually.  |
| General                               | To any extent.  | Amount to increase the amount in the Bond Reserve Account to equal Bond Reserve Requirement.  |
| Rate Stabilization                    | Until the aggregate amount thus deposited equals \$750,000  | Supplement revenues should there be a deficiency in revenues in any year.   |

**J. Operating Fund Budget**

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

**K. Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management currently uses estimates to determine the useful life of depreciable assets. Actual results could differ from those estimates.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**L. Net Position**

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**M. Recent Accounting Pronouncements**

The Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Authority is currently reviewing what effect this Statement might have on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**M. Recent Accounting Pronouncements, (continued)**

guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Authority does not believe this Statement will have any effect on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**M. Recent Accounting Pronouncements, (continued)**

to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.

**N. Reclassifications/Restatements**

Certain reclassifications have been made to the 2016 amounts to conform with the 2017 financial presentation.

**NOTE 3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes change funds, petty cash, amounts in deposits, and short term investments with original maturities of three months or less.

As of November 30, 2017, cash and cash equivalents of the Town of Hackettstown Municipal Utilities Authority consisted of the following:

|                               | <u>Cash and Cash</u><br><u>Equivalents</u> | <u>Total</u>       |
|-------------------------------|--|--------------------|
| Cash on Hand                  | \$100                                      | \$100              |
| Checking and Savings Accounts | <u>2,557,238</u>                           | <u>2,557,238</u>   |
|                               | <u>\$2,557,338</u>                         | <u>\$2,557,338</u> |
|                               | <u>Analysis</u>                            |                    |
| Restricted Accounts           | \$174,167                                  |                    |
| Unrestricted Accounts         | <u>2,383,171</u>                           |                    |
|                               | <u>\$2,557,338</u>                         |                    |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)**

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of November 30, 2017, \$-0- of the Authority's bank balance of \$2,559,706 was exposed to custodial risk.

**Interest Rate Risk**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Authority places no limit on the amount it may invest in any one issuer.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 4. INVESTMENTS**

New Jersey statutes (N.J.S.A. 40A:5-15.1) permit the Town of Hackettstown Municipal Utilities Authority to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its members the board of commissioners of any Authority may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Authority;
  - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
  - (2) Government money market mutual funds;
  - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
  - (4) Bonds or other obligations of the Authority or bonds or other obligations of local unit or units within which the Authority is located;
  - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by Authority;
  - (6) Local government investment pools;
  - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
  - (8) Agreements for the repurchase of fully collateralized securities, if:
    - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
    - (b) the custody of collateral is transferred to a third party;
    - (c) the maturity of the agreement is not more than 30 days;
    - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 4. INVESTMENTS, (continued)**

The Town of Hackettstown Municipal Utilities Authority had the following investments valued at cost, which approximates fair value, at November 30, 2017:

| <u>Investment Type</u>    | <u>Face Amount</u> | <u>Carrying Amount</u> | <u>Investment Maturities (in years)</u> |                    |
|---------------------------|--------------------|------------------------|---|--------------------|
|                           |                    |                        | <u>&lt;1</u>                            | <u>1-5</u>         |
| Certificates of Deposit   | \$2,469,635        | \$2,458,559            | \$1,509,408                             | \$949,151          |
| Government Bonds          | 4,033,900          | 4,091,763              | 2,604,339                               | 1,487,424          |
| Money Market Funds, Misc. | <u>2,419,677</u>   | <u>2,419,677</u>       | <u>2,419,677</u>                        | <u>-</u>           |
|                           | <u>\$8,923,212</u> | <u>\$8,969,999</u>     | <u>\$6,533,424</u>                      | <u>\$2,436,575</u> |

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Corporation (S&P). U.S. government debt is considered to have no credit risk.

The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the Town of Hackettstown Municipal Utilities Authority will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. Since certificates of deposits are covered by F.D.I.C. and GUDPA and U. S. government debt is guaranteed, there is no custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in a single issuer.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 5. PROPERTY, PLANT AND EQUIPMENT**

Reference is made to Note 2 for information related to property. A summary of property, plant and equipment as of November 30, 2017 is as follows:

|  | <u>Balance</u><br><u>Nov. 30, 2016</u> | <u>Additions</u>   | <u>Deletions</u>   | <u>Balance</u><br><u>Nov. 30, 2017</u> |
|--|--|--------------------|--------------------|--|
| Capital Assets, Not Being Depreciated: |  |                    |                    |  |
| Land                                   | \$747,800                              | \$                 | \$                 | \$747,800                              |
| Construction in Progress               | <u>2,099,523</u>                       | <u>974,419</u>     | <u>1,269,954</u>   | <u>1,803,988</u>                       |
|  | <u>2,847,323</u>                       | <u>974,419</u>     | <u>1,269,954</u>   | <u>2,551,788</u>                       |
| Capital Assets, Being Depreciated:     |  |                    |                    |  |
| Infrastructure                         | 43,899,751                             | 13,481             |                    | 43,913,232                             |
| Building and Improvements              | 19,629,857                             | 801,785            |                    | 20,431,642                             |
| Vehicles                               | 869,097                                |                    |                    | 869,097                                |
| Machinery and Equipment                | 6,671,241                              | 1,448,205          | 540,114            | 7,579,332                              |
| Less: Accumulated Depreciation         | <u>(28,073,742)</u>                    | <u>(1,413,836)</u> | <u>(498,183)</u>   | <u>(28,989,395)</u>                    |
|  | <u>42,996,204</u>                      | <u>849,635</u>     | <u>41,931</u>      | <u>43,803,908</u>                      |
| Capital Assets                         | <u>\$45,843,527</u>                    | <u>\$1,824,054</u> | <u>\$1,311,885</u> | <u>\$46,355,696</u>                    |

**NOTE 6. LOAN PAYABLE**

The Town of Hackettstown Municipal Utilities Authority has also entered into a loan agreement in the amount of \$2,315,000.00 with the United States Department of Agriculture, Rural Development, the loan proceeds were used to fund the Diamond Hill Project.

At November 30, 2017, the Authority had the following bonds outstanding:

|                              | <u>Balance</u><br><u>Nov. 30, 2016</u> | <u>Issued</u>     | <u>Paid</u>     | <u>Balance</u><br><u>Nov. 30, 2017</u> |
|------------------------------|--|-------------------|-----------------|--|
| USDA Rural Development Loan: |  |                   |                 |  |
| Water Portion                | \$863,008                              | \$                | \$14,339        | \$848,669                              |
| Sewer Portion                | <u>1,191,772</u>                       | <u>          </u> | <u>19,802</u>   | <u>1,171,970</u>                       |
|                              | <u>\$2,054,780</u>                     | <u>\$0</u>        | <u>\$34,141</u> | <u>\$2,020,639</u>                     |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 6. LOAN PAYABLE, (continued)**

At November 30, 2017, the Authority had the following bonds outstanding:

| Year Ending<br><u>Nov. 30.</u> | <u>Water</u>     |                  | <u>Sewer</u>       |                  | <u>Totals</u>      |                    |
|--------------------------------|------------------|------------------|--------------------|------------------|--------------------|--------------------|
|                                | <u>Principal</u> | <u>Interest</u>  | <u>Principal</u>   | <u>Interest</u>  | <u>Principal</u>   | <u>Interest</u>    |
| 2018                           | \$14,973         | \$36,967         | \$20,677           | \$51,050         | \$35,650           | \$88,017           |
| 2019                           | 15,636           | 36,305           | 21,592             | 50,135           | 37,228             | 86,440             |
| 2020                           | 16,327           | 35,613           | 22,547             | 49,181           | 38,874             | 84,794             |
| 2021                           | 17,049           | 34,891           | 23,544             | 48,183           | 40,593             | 83,074             |
| 2022                           | 17,803           | 34,137           | 24,585             | 47,142           | 42,388             | 81,279             |
| 2023                           | 18,591           | 33,350           | 25,673             | 46,055           | 44,264             | 79,405             |
| 2024                           | 19,413           | 32,528           | 26,808             | 44,919           | 46,221             | 77,447             |
| 2025                           | 20,272           | 31,669           | 27,994             | 43,733           | 48,266             | 75,402             |
| 2026                           | 21,168           | 30,772           | 29,232             | 42,495           | 50,400             | 73,267             |
| 2027                           | 22,104           | 29,836           | 30,525             | 41,202           | 52,629             | 71,038             |
| 2028                           | 23,082           | 28,859           | 31,875             | 39,852           | 54,957             | 68,711             |
| 2029                           | 24,103           | 27,838           | 32,285             | 38,443           | 57,388             | 66,281             |
| 2030                           | 25,169           | 26,772           | 34,757             | 36,970           | 59,926             | 63,742             |
| 2031                           | 26,282           | 25,658           | 36,294             | 35,433           | 62,576             | 61,091             |
| 2032                           | 27,445           | 24,496           | 37,900             | 33,828           | 65,345             | 58,324             |
| 2033                           | 28,658           | 23,282           | 39,576             | 32,152           | 68,234             | 55,434             |
| 2034                           | 29,926           | 22,015           | 41,326             | 30,401           | 71,252             | 52,416             |
| 2035                           | 31,249           | 20,691           | 43,154             | 28,573           | 74,403             | 49,264             |
| 2036                           | 32,632           | 19,309           | 45,063             | 26,665           | 77,695             | 45,974             |
| 2037                           | 34,075           | 17,866           | 47,056             | 24,672           | 81,131             | 42,538             |
| 2038                           | 35,582           | 16,359           | 49,137             | 22,591           | 84,719             | 38,950             |
| 2039                           | 37,156           | 14,785           | 51,310             | 20,417           | 88,466             | 35,202             |
| 2040                           | 38,799           | 13,142           | 53,579             | 18,148           | 92,378             | 31,290             |
| 2041                           | 40,515           | 11,426           | 55,949             | 15,778           | 96,464             | 27,204             |
| 2042                           | 42,307           | 9,634            | 58,424             | 13,303           | 100,731            | 22,937             |
| 2043                           | 44,178           | 7,763            | 61,008             | 10,720           | 105,186            | 18,483             |
| 2044                           | 46,132           | 5,809            | 63,706             | 8,021            | 109,838            | 13,830             |
| 2045                           | 48,172           | 3,768            | 66,524             | 5,204            | 114,696            | 8,972              |
| 2046                           | <u>49,871</u>    | <u>1,091</u>     | <u>68,870</u>      | <u>1,507</u>     | <u>118,741</u>     | <u>2,598</u>       |
|                                | <u>\$848,669</u> | <u>\$656,631</u> | <u>\$1,170,970</u> | <u>\$906,773</u> | <u>\$2,020,639</u> | <u>\$1,563,404</u> |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 7. PENSION**

Description of Plans:

Authority employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

*Public Employees' Retirement System (PERS)*

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 15 years of service and upon reaching age 62 or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 7. PENSION, (continued)**

Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Defined Contribution Retirement Program**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**Contribution Requirements**

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 7. PENSION, (continued)**

The Authority's contribution to PERS, equal to the required contributions for each year, were as follows::

| <b><u>Three Year Trend Information for PERS</u></b> |   |   |
|---|---|---|
| <b><u>Year</u></b>                                  | <b><u>Annual Pension Cost (APC)</u></b> | <b><u>Percentage of APC Contributed</u></b> |
| 11/30/17  | \$156,401                               | 100%  |
| 11/30/16  | 152,081                                 | 100%  |
| 11/30/15  | 142,137                                 | 100%  |

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68**

**Public Employees Retirement System (PERS)**

At November 30, 2017 and 2016, the Authority reported a liability of \$3,930,043 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2017, the Authority's proportion was 0.0168827880 percent, which was a decrease of 0.0002360149 percent from its proportion measured as of June 30, 2016.

For the year ended November 30, 2017, the Authority recognized pension expense of \$493,470. At November 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|  | <b><u>Deferred Outflows of Resources</u></b> | <b><u>Deferred Inflows of Resources</u></b> |
|--|--|---|
| Changes of assumptions   | \$791,768                                    | \$  |
| Net difference between projected and actual earnings on pension plan investments                               | 119,300                                      | 788,865                                     |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 100,837                                      | 102,531                                     |
| Other deferred pension adjustments   |  | 156,213                                     |
| Authority contributions subsequent to the measurement date   | <u>160,800</u>                               | <u>                    </u>                 |
| Total  | <b><u>\$1,172,705</u></b>                    | <b><u>\$1,047,609</u></b>                   |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 7. PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

The \$160,800 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending November 30, 2017, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended November 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

|                         |           |
|-------------------------|-----------|
| Year ended December 31: |           |
| 2018                    | \$92,517  |
| 2019                    | 139,610   |
| 2020                    | 84,597    |
| 2021                    | (112,514) |
| 2022                    | (82,008)  |

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

**Additional Information**

Local Group Collective balances at November 30, 2017 is as follows:

|   |                      |
|---|----------------------|
|   | <u>Nov. 30, 2017</u> |
| Collective deferred outflows of resources | \$6,424,455,842      |
| Collective deferred inflows of resources  | 5,700,625,981        |
| Collective net pension liability          | 23,278,401,588       |
| Authority's Proportion                    | 0.0168827880%        |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 7. PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

|                           |                                  |
|---------------------------|----------------------------------|
| Inflation                 | 2.25 Percent                     |
| Salary Increases:         |                                  |
| Through 2026              | 1.65-4.15 Percent (based on age) |
| Thereafter                | 2.65-5.15 Percent (based on age) |
| Investment Rate of Return | 7.00 Percent                     |

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Mortality Rates**

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

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 7. PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u>                | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Absolute return/risk mitigation   | 5.00%                    | 5.51%   |
| Cash equivalents                  | 5.50%                    | 1.00%   |
| U.S. Treasuries                   | 3.00%                    | 1.87%   |
| Investment grade credit           | 10.00%                   | 3.78%   |
| Public high yield                 | 2.50%                    | 6.82%   |
| Global diversified credit         | 5.00%                    | 7.10%   |
| Credit oriented hedge funds       | 1.00%                    | 6.60%   |
| Debt related private equity       | 2.00%                    | 10.63%  |
| Debt related real estate          | 1.00%                    | 6.61%   |
| Private real asset                | 2.50%                    | 11.83%  |
| Equity related real estate        | 6.25%                    | 9.23%   |
| U.S. equity                       | 30.00%                   | 8.19%   |
| Non-U.S. developed markets equity | 11.50%                   | 9.00%   |
| Emerging markets equity           | 6.50%                    | 11.64%  |
| Buyouts/venture capital           | 8.25%                    | 13.08%  |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 7. PENSION, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2017, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1- percentage-point higher than the current rate:

|  | June 30, 2017 |               |              |
|--|---------------|---------------|--------------|
|  | 1%            | At Current    | 1%           |
|  | Decrease      | Discount Rate | Increase     |
|  | <u>4.00%</u>  | <u>5.00%</u>  | <u>6.00%</u> |
| Authority's proportionate share of the pension liability | \$4,875,485   | \$3,930,043   | \$3,142,373  |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 7, the Authority provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost. On May 13, 2003, the Authority adopted the provisions of N.J.S.A. 52:14-17.38 and adhered to the rules and regulations promulgated by the State Health Benefits Commission to implement the provisions of that law. This resolution affects employees as shown in Chapter 48, P.L. 1999.

Chapter 48, P.L. 1999, provides eligible participating local employers considerable flexibility in managing their postretirement medical costs. It also brings State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) eligibility standards for employer-paid coverage into alignment with local government laws.

Adoption of this Resolution does not free the Town of Hackettstown Municipal Utilities Authority of the obligation to pay for postretirement medical benefits of retirees or employees who qualified for those payments under any Chapter 88 or Chapter 48 Resolution previously adopted by the governing body.

The Resolution will remain in effect until properly amended or revoked with the State Health Benefits Program. The Town of Hackettstown Municipal Utilities Authority recognizes that, while it remains in the State Health Benefits Program, it is responsible for providing the payment for postretirement medical coverage as listed in the Chapter 48 Resolution Addendum for all employees who qualify for this coverage while this Resolution is in force.

**Plan Description**

The Town of Hackettstown Municipal Utilities Authority contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The 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.

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. 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 TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)**

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/gasb-43-sept2008.pdf>

**Plan Coverage**

Health benefits coverage is provided for all employees retiring after May 14, 2003 who reach sixty-two (62) years of age, and have provided at least fifteen (15) years of service as an employee of the Hackettstown Municipal Utilities Authority. The Authority shall cover 100% of the retiree's health coverage. Additionally, a retiree shall also be provided with coverage for his/her spouse and eligible dependant(s), provided that the retiree shall contribute 35% of the continuing coverage. Upon the death of the retiree, health coverage for the spouse and eligible dependant(s) shall continue as previously provided. Deferred Retirement shall not be considered Retirement.

**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 employees in the SHBP are billed to the Authority on a monthly basis.

**NOTE 9. COMPENSATED ABSENCES**

The Authority accounts for compensated absences (e.g., unused vacation sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 9. COMPENSATED ABSENCES, (continued)**

Authority employees are granted varying amounts of vacation and sick leave in accordance with the Authority's personnel policy. Upon termination, employees are paid for accrued vacation. The Authority's policy permits employees to accumulate unused sick leave and carry forward certain amounts to subsequent years. Upon retirement, employees shall be paid by the Authority for the unused sick leave in accordance with the Authority's personnel policy/employee handbook.

At November 30, 2017, compensated absences accrued for Authority employees were \$318,194.

**NOTE 10. RELATED PARTIES**

The Town of Hackettstown does not pay any water or sewer charges to the Town of Hackettstown Municipal Utilities Authority. Likewise, the Town of Hackettstown Municipal Utilities Authority does not pay property taxes on any of the four properties owned in the Town. In addition the Town of Hackettstown Public Library does not pay any water or sewer charges to the Town of Hackettstown Municipal Utilities Authority.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

The Authority's attorney has informed management of no commitments and contingencies.

**NOTE 12. LETTERS OF CREDIT**

The following irrevocable letters of credit are on file with the Authority as of November 30, 2017:

|                       |                    |
|-----------------------|--------------------|
| Heath Village - Water | \$385,830          |
| Heath Village - Sewer | <u>824,580</u>     |
|                       | <u>\$1,210,410</u> |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 13. AMOUNTS REQUIRED BY BOND RESOLUTION**

The following reserves are required by the Authority's bond resolutions:

**Construction Fund**

The Authority's 1967 General Bond Resolution requires the establishment of a construction fund for the purpose of holding funds to be applied to the costs of projects. At November 30, 2017, the Authority's construction fund was the following:

|                   | <u>Water</u>     | <u>Sewer</u>       | <u>Total</u>       |
|-------------------|------------------|--------------------|--------------------|
| Construction Fund | <u>\$722,992</u> | <u>\$2,082,199</u> | <u>\$2,805,191</u> |

**Current Debt Service**

The Authority's 1967 General Bond Resolution also requires that moneys in the Revenue Fund be transferred into an interest and principal account in an amount equal to the unpaid interest and principal on the next debt service payment, pro-rated accordingly. At November 30, 2017, the Authority's current debt service fund was comprised of the following:

|                                | <u>Water</u>   | <u>Sewer</u>   | <u>Total</u>    |
|--------------------------------|----------------|----------------|-----------------|
| Cash and Investments           | \$9,892        | \$13,659       | \$23,551        |
| Less: Accrued Interest Payable | <u>(6,189)</u> | <u>(8,546)</u> | <u>(14,735)</u> |
| Current Debt Service Reserve   | <u>\$3,703</u> | <u>\$5,113</u> | <u>\$8,816</u>  |

**Future Debt Service**

The Authority's 1967 General Bond Resolution requires the establishment of a future debt service that should equal an amount of money equal to the aggregate of the greatest amounts of all interest and principal paid during any fiscal year on the bonds. At November 30, 2017, the Authority's future debt service fund was the following:

|                          | <u>Water</u>    | <u>Sewer</u>    | <u>Total</u>     |
|--------------------------|-----------------|-----------------|------------------|
| Future Debt Service Fund | <u>\$42,840</u> | <u>\$59,160</u> | <u>\$102,000</u> |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 13. AMOUNTS REQUIRED BY BOND RESOLUTION, (continued)**

**Renewal and Replacement**

The 1967 General Bond Resolution requires that the Authority also deposit into a Renewal and Replacement account an amount equal to the System Reserve Requirement, which is either \$50,000 or an amount determined and certified by the Authority's consulting engineer. At November 30, 2017, the Authority restricted the following funds for renewal and replacement:

|                         | <u>Water</u>    | <u>Sewer</u>     | <u>Total</u>     |
|-------------------------|-----------------|------------------|------------------|
| Renewal and Replacement | <u>\$25,000</u> | <u>\$545,334</u> | <u>\$570,334</u> |

**Rate Stabilization**

The Authority's 1967 General Bond Resolution also requires the establishment of a reserve for the purposes of rate stabilization in the amount of \$750,000. At November 30, 2017, the Authority had restricted the following funds for this purpose:

|                    | <u>Water</u>     | <u>Sewer</u>     | <u>Total</u>     |
|--------------------|------------------|------------------|------------------|
| Rate Stabilization | <u>\$375,000</u> | <u>\$375,000</u> | <u>\$750,000</u> |

**Operating**

The Authority's 1967 General Bond Resolution also requires a revolving fund for operating expenses aggregating not more than \$20,000. At November 30, 2017, the Authority had restricted the following funds for this purpose:

|           | <u>Water</u>    | <u>Sewer</u>    | <u>Total</u>    |
|-----------|-----------------|-----------------|-----------------|
| Operating | <u>\$10,000</u> | <u>\$10,000</u> | <u>\$20,000</u> |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 14. DESIGNATION OF UNRESTRICTED NET POSITION**

The Authority maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

|   | <u>Water</u>     | <u>Sewer</u>     | <u>Total</u>     |
|---|------------------|------------------|------------------|
| Designated for Post-employment Benefits | \$442,346        | \$442,346        | \$884,692        |
| Designated for Compensated Absences     | <u>50,000</u>    | <u>50,000</u>    | <u>100,000</u>   |
|   | <u>\$492,346</u> | <u>\$492,346</u> | <u>\$984,692</u> |

At November 30, 2017, the Authority reported a total amount of \$984,692 of Unrestricted Net Position - Designated for the purposes described on the preceding page.

The remaining, undesignated portion of the Authority's net position was comprised of the following at November 30, 2017:

|                                     | <u>Water</u>     | <u>Sewer</u>       | <u>Total</u>       |
|-------------------------------------|------------------|--------------------|--------------------|
| Pension Related                     | \$(1,982,874)    | \$(1,982,873)      | (\$3,965,747)      |
| Available for Use in Future Budgets | <u>2,156,706</u> | <u>3,762,383</u>   | <u>5,919,089</u>   |
|                                     | <u>\$173,832</u> | <u>\$1,779,510</u> | <u>\$1,953,342</u> |

**NOTE 15. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through May 2, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 16. PRIOR PERIOD ADJUSTMENTS**

**Contracts/Retainage Payable**

At November 30, 2016, the Authority reported amounts representing open contracts and retainage payable as liabilities on the statement of net position. Current governmental accounting standards state that expenses (and related payables) only be recognized when goods are received or services performed. The Authority has since adjusted the November 30, 2016 balances as follows:

|                             | Balance<br>Nov. 30, 2016<br>as Previously<br><u>Reported</u> | Retroactive<br><u>Adjustments</u> | Balance<br>Nov. 30, 2016<br>as Restated |
|-----------------------------|--|-----------------------------------|---|
| Liabilities::               |  |                                   |   |
| Contracts Payable           | \$675,326  | (\$675,326)                       | \$0                                     |
| Retainage Payable           | 28,398   | (28,398)                          | 0                                       |
| Net Position:               |  |                                   |   |
| Unrestricted - Undesignated | 1,174,818  | 703,724                           | 1,878,542                               |

**Escrow Deposits**

At November 30, 2016, the Authority reported developer escrow deposits as restricted net position. Current governmental accounting standards require that escrow deposits held in trust be reported as a liability on the financial statements. The Authority has since adjusted the November 30, 2016 balances as follows:

|                              | Balance<br>Nov. 30, 2016<br>as Previously<br><u>Reported</u> | Retroactive<br><u>Adjustments</u> | Balance<br>Nov. 30, 2016<br>as Restated |
|------------------------------|--|-----------------------------------|---|
| Liabilities::                |  |                                   |   |
| Escrow Deposits Payable      |  | \$147,151                         | \$147,151                               |
| Net Position:                |  |                                   |   |
| Restricted - Escrow Deposits | 147,151  | (147,151)                         | 0                                       |

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2017**  
**(CONTINUED)**

**NOTE 16. PRIOR PERIOD ADJUSTMENTS, (continued)**

**Post Employment Benefits Fund/Reserve for Compensated Absences**

During the 2017 fiscal year, the Authority reviewed the classification of certain board-designated reserves. As a result of this review, management felt that the following reclassifications were warranted for certain items previously classified as restricted net position.

|   | Balance<br>Nov. 30, 2016<br>as Previously<br><u>Reported</u> | Retroactive<br><u>Adjustments</u> | Balance<br>Nov. 30, 2016<br><u>as Restated</u> |
|---|--|-----------------------------------|--|
| Assets:   |  |                                   |  |
| Cash - Unrestricted                                       | \$6,008,441  | \$913,408                         | \$6,921,849                                    |
| Cash - Restricted   | 5,481,969  | (913,408)                         | 4,568,561                                      |
| Net Position:   |  |                                   |  |
| Restricted - Post-employment Benefits Fund                | 813,408  | (813,408)                         | 0  |
| Restricted - Reserve for Compensated Absences             | 100,000  | (100,000)                         | 0  |
| Unrestricted - Designated for Post-employment<br>Benefits |  | 813,408                           | 813,408  |
| Unrestricted - Designated for Compensated<br>Absences     |  | 100,000                           | 100,000  |

**Required Supplementary Information - Part II**

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**SCHEDULE RSI-1**

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System (PERS)  
Last Four Fiscal Years**

|   | Measurement Date Ending June 30. |               |             |             |
|---|----------------------------------|---------------|-------------|-------------|
|   | <u>2017</u>                      | <u>2016</u>   | <u>2015</u> | <u>2014</u> |
| Authority's Proportion of the Net Pension Liability   | 0.0168827880                     | 0.0171188029% | 0.016532%   | 0.017193%   |
| Authority's Proportionate Share of the Net Pension Liability  | \$3,930,043                      | \$5,070,098   | \$3,711,263 | \$3,219,054 |
| Authority's Covered-Employee Payroll  | \$1,202,561                      | \$1,180,802   | \$1,183,513 | \$1,131,335 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll | 326.81%                          | 429.38%       | 313.58%     | 284.54%     |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**SCHEDULE RSI-2**

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
Required Supplementary Information  
Schedule of the Authority's Contributions  
Public Employees' Retirement System (PERS)  
Last Four Fiscal Years**

|  | Fiscal Year ended November 30, |                  |                  |                  |
|--|--------------------------------|------------------|------------------|------------------|
|  | <u>2017</u>                    | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
| Contractual Required Contribution  | \$156,401                      | \$152,081        | \$142,137        | \$141,739        |
| Contributions in Relation to the Contractually<br>Required Contribution  | <u>(156,401)</u>               | <u>(152,081)</u> | <u>(142,137)</u> | <u>(141,739)</u> |
| Contribution Deficiency (Excess)   | <u>\$ -</u>                    | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Authority's Covered-Employee Payroll                                     | \$1,202,561                    | \$1,180,802      | \$1,183,516      | \$1,131,335      |
| Contributions as a Percentage of Authority's<br>Covered-Employee Payroll | 13.01%                         | 12.88%           | 12.01%           | 12.53%           |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**Notes to Required Supplementary Information**  
**For the Year ended November 30, 2017**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

Changes of Benefit Terms

None

Changes in Assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date resulting in a change in the discount rate from 3.98% to 5.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

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**Supplementary Schedules**

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TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
WATER FUND  
FOR THE YEAR ENDED NOVEMBER 30, 2017

|  | Net Investment<br>in Capital Assets | Construction Fund<br>(Reserve for Future<br>Capital Projects) | Restricted                         |                                   |                                       |                                  | Operating<br>Reserve |
|--|-------------------------------------|---|------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|----------------------|
|  |                                     |   | Current<br>Debt Service<br>Reserve | Future<br>Debt Service<br>Reserve | Renewal and<br>Replacement<br>Reserve | Rate<br>Stabilization<br>Reserve |                      |
| <b>Operating Revenue:</b>                  |                                     |   |                                    |                                   |                                       |                                  |                      |
| Service Charges                            |                                     | 69,592  |                                    |                                   |                                       |                                  |                      |
| Connection Fees                            |                                     |   |                                    |                                   |                                       |                                  |                      |
| Miscellaneous                              |                                     | 69,592  |                                    |                                   |                                       |                                  |                      |
| <b>Total Operating Revenue</b>             |                                     |   |                                    |                                   |                                       |                                  |                      |
| <b>Operating Expense:</b>                  |                                     |   |                                    |                                   |                                       |                                  |                      |
| Salaries and Wages                         | 471,874                             |   |                                    |                                   |                                       |                                  |                      |
| Fringe Benefits                            | 471,874                             |   |                                    |                                   |                                       |                                  |                      |
| Other Expenses                             | (471,874)                           |   |                                    |                                   |                                       |                                  |                      |
| Depreciation Expense                       |                                     |   |                                    |                                   |                                       |                                  |                      |
| <b>Total Operating Expense</b>             |                                     |   |                                    |                                   |                                       |                                  |                      |
| <b>Operating Income</b>                    |                                     |   |                                    |                                   |                                       |                                  |                      |
| <b>Non-Operating Revenue (Expense):</b>    |                                     |   |                                    |                                   |                                       |                                  |                      |
| Interest on Investments                    |                                     |   |                                    |                                   |                                       |                                  |                      |
| Accumulated Sick and Vacation              |                                     |   |                                    |                                   |                                       |                                  |                      |
| Interest Expense                           |                                     |   |                                    |                                   |                                       |                                  |                      |
| <b>Net Income (Loss) Before Transfers</b>  |                                     |   |                                    |                                   |                                       |                                  |                      |
| Transfers:                                 |                                     |   |                                    |                                   |                                       |                                  |                      |
| Capital Expenditures                       | 1,231,085                           |   |                                    |                                   |                                       | (1,231,085)                      |                      |
| Bond Principal                             | 14,339                              |   |                                    |                                   |                                       | 465,806                          |                      |
| Budget Appropriations                      |                                     |   |                                    |                                   |                                       | 324,298                          |                      |
| Other Transfers                            |                                     |   |                                    |                                   |                                       | (440,981)                        |                      |
| <b>Increase/(Decrease) in Net Position</b> |                                     |   |                                    |                                   |                                       |                                  |                      |
| Net Position - Dec. 1, 2016, as Restated   | 23,373,133                          | 653,400   |                                    | 42,840                            | 465,981                               | 375,000                          | 10,000               |
| <b>Net Position - November 30, 2017</b>    | 24,146,683                          | 722,992   | 3,703                              | 42,840                            | 25,000                                | 375,000                          | 10,000               |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**WATER FUND**  
**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | Designated<br>for Post-Employment<br>Benefits Fund | Unrestricted<br>Designated<br>Compensated<br>Absences | Undesignated | Total     |
|---|--|---|--------------|-----------|
| <b>Operating Revenue:</b>                       |  |   |              |           |
| Service Charges                                 |  | 2,169,873   |              | 2,169,873 |
| Connection Fees                                 |  |   | 69,592       | 69,592    |
| Miscellaneous                                   |  | 112,074   |              | 112,074   |
| <b>Total Operating Revenue</b>                  | -  | 2,281,947   | -            | 2,281,947 |
| <b>Operating Expense:</b>                       |  |   |              |           |
| Salaries and Wages                              |  | 597,732   |              | 597,732   |
| Fringe Benefits                                 |  | 399,146   |              | 399,146   |
| Other Expenses                                  |  | 479,210   |              | 479,210   |
| Depreciation Expense                            |  |   | 471,874      | 471,874   |
| <b>Total Operating Expense</b>                  | -  | 1,476,088   | -            | 1,476,088 |
| <b>Operating Income</b>                         | -  | 805,859   | -            | 805,859   |
| <b>Non-Operating Revenue (Expense):</b>         |  |   |              |           |
| Interest on Investments                         |  | 40,684  |              | 40,684    |
| Accumulated Sick and Vacation                   | (10,358)   |   | (37,498)     | (47,856)  |
| Interest Expense                                | (10,358)   |   | 3,186        | (7,172)   |
| <b>Net Income (Loss) Before Transfers</b>       | (10,358)   | 809,045   | -            | 798,687   |
| <b>Transfers:</b>                               |  |   |              |           |
| Capital Expenditures                            |  |   |              |           |
| Bond Principal                                  |  |   | (14,339)     | (14,339)  |
| Budget Appropriations                           | 46,000   |   | (516,999)    | (470,999) |
| Other Transfers                                 |  |   | (322,808)    | (322,808) |
| <b>Increase/(Decrease) in Net Position</b>      | 55,642   | -   | (45,101)     | 10,541    |
| <b>Net Position - Dec. 1, 2016, as Restated</b> | 406,704  | 50,000  | 218,933      | 675,637   |
| <b>Net Position - November 30, 2017</b>         | 462,346  | 50,000  | 173,832      | 686,178   |



**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEWER FUND  
FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | Net Investment<br>in Capital Assets | Restricted  |                                    |                                   |                                       |                                  |                      |
|---|-------------------------------------|---|------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|----------------------|
|   |                                     | Construction Fund<br>(Reserve for Future<br>Capital Projects) | Current<br>Debt Service<br>Reserve | Future<br>Debt Service<br>Reserve | Renewal and<br>Replacement<br>Reserve | Rate<br>Stabilization<br>Reserve | Operating<br>Reserve |
| <b>Operating Revenue:</b>                       |                                     |   |                                    |                                   |                                       |                                  |                      |
| Service Charges                                 |                                     | 161,557   |                                    |                                   |                                       |                                  |                      |
| Connection Fees                                 |                                     |   |                                    |                                   |                                       |                                  |                      |
| Miscellaneous                                   |                                     | 161,557   |                                    |                                   |                                       |                                  |                      |
| Total Operating Revenue                         |                                     |   |                                    |                                   |                                       |                                  |                      |
| <b>Operating Expense:</b>                       |                                     |   |                                    |                                   |                                       |                                  |                      |
| Salaries and Wages                              |                                     |   |                                    |                                   |                                       |                                  |                      |
| Fringe Benefits                                 |                                     |   |                                    |                                   |                                       |                                  |                      |
| Other Expenses                                  | 941,962                             |   |                                    |                                   |                                       |                                  |                      |
| Depreciation Expense                            |                                     |   |                                    |                                   |                                       |                                  |                      |
| Total Operating Expense                         | 941,962                             |   |                                    |                                   |                                       |                                  |                      |
| <b>Operating Income</b>                         | (941,962)                           | 161,557   |                                    |                                   |                                       |                                  |                      |
| <b>Non-Operating Revenue (Expense):</b>         |                                     |   |                                    |                                   |                                       |                                  |                      |
| Interest on Investments                         |                                     |   |                                    |                                   |                                       |                                  |                      |
| Accumulated Sick and Vacation                   |                                     |   |                                    |                                   |                                       |                                  |                      |
| Interest Expense                                |                                     |   |                                    |                                   |                                       |                                  |                      |
| <b>Net Income (Loss) Before Transfers</b>       | (941,962)                           | 161,557   |                                    |                                   |                                       |                                  |                      |
| <b>Transfers:</b>                               |                                     |   |                                    |                                   |                                       |                                  |                      |
| Capital Expenditures                            | 694,920                             |   |                                    |                                   | (694,920)                             |                                  |                      |
| Bond Principal                                  | 19,802                              |   |                                    |                                   |                                       |                                  |                      |
| Budget Appropriations                           |                                     |   | 7,173                              |                                   | 583,716                               |                                  |                      |
| Other Transfers                                 |                                     |   | (2,060)                            |                                   |                                       |                                  |                      |
| <b>Increase/(Decrease) in Net Position</b>      | (227,240)                           | 161,557   | 5,113                              |                                   | (111,204)                             |                                  |                      |
| <b>Net Position - Dec. 1, 2016, as Restated</b> | 20,415,614                          | 1,920,642   |                                    | 59,160                            | 656,538                               | 375,000                          | 10,000               |
| <b>Net Position - November 30, 2017</b>         | 20,188,374                          | 2,082,199   | 5,113                              | 59,160                            | 545,334                               | 375,000                          | 10,000               |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**SEWER FUND**  
**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | Designated<br>for Post-Employment<br>Benefits Fund | Unrestricted<br>Designated<br>Compensated<br>Absences | Undesignated | Total      |
|---|--|---|--------------|------------|
| <b>Operating Revenue:</b>                       |  |   |              |            |
| Service Charges                                 |  | 2,445,345   |              | 2,445,345  |
| Connection Fees                                 |  |   | 36,972       | 161,557    |
| Miscellaneous                                   |  |   |              | 36,972     |
| <b>Total Operating Revenue</b>                  | -  | 2,482,317   | -            | 2,643,874  |
| <b>Operating Expense:</b>                       |  |   |              |            |
| Salaries and Wages                              |  | 630,284   |              | 630,284    |
| Fringe Benefits                                 |  | 396,965   |              | 396,965    |
| Other Expenses                                  |  | 670,570   |              | 670,570    |
| Depreciation Expense                            |  |   |              | 941,962    |
| <b>Total Operating Expense</b>                  | -  | 1,697,819   | -            | 2,639,781  |
| <b>Operating Income</b>                         | -  | 784,498   | -            | 4,093      |
| <b>Non-Operating Revenue (Expense):</b>         |  |   |              |            |
| Interest on Investments                         | (10,358)   | 41,815  |              | 41,815     |
| Accumulated Sick and Vacation                   |  |   | (51,781)     | (51,781)   |
| Interest Expense                                | (10,358)   |   | (9,966)      | (20,324)   |
| <b>Net Income (Loss) Before Transfers</b>       | (10,358)   | 774,532   | -            | (16,231)   |
| <b>Transfers:</b>                               |  |   |              |            |
| Capital Expenditures                            |  |   |              | -          |
| Bond Principal                                  |  |   | (19,802)     | -          |
| Budget Appropriations                           | 46,000   |   | (636,889)    | -          |
| Other Transfers                                 |  |   | 2,060        | -          |
| <b>Increase/(Decrease) in Net Position</b>      | 35,642   | -   | 119,901      | (16,231)   |
| <b>Net Position - Dec. 1, 2016, as Restated</b> | 406,704  | 50,000  | 1,659,609    | 25,533,267 |
| <b>Net Position - November 30, 2017</b>         | 442,346  | 50,000  | 1,779,510    | 25,537,036 |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND**  
**CHANGES IN CASH AND INVESTMENTS - UNRESTRICTED AND RESTRICTED ACCOUNTS**  
**WATER AND SEWER FUNDS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | Developer<br>Escrow<br>Accounts | Construction<br>Aid<br>Accounts | Bond Service<br>Account | Bond Reserve<br>Account | Renewal and<br>Replacement<br>Account |
|---|---------------------------------|---------------------------------|-------------------------|-------------------------|---------------------------------------|
| <b>Cash, Cash Equivalents and Investments -<br/>December 1, 2016</b>  | 147,151                         | 2,574,041                       | 123,759                 | 102,441                 | 50,226                                |
| <b>Cash Receipts:</b>   |                                 |                                 |                         |                         |                                       |
| Interest on Investments   |                                 | 1,314                           | 985                     | 649                     | 371                                   |
| Service Charges   |                                 |                                 |                         |                         |                                       |
| Other Receipts  |                                 | 231,149                         |                         |                         |                                       |
| Developer Escrow Receipts   | 29,173                          |                                 |                         |                         |                                       |
| Transfers   |                                 | 126,254                         | 122,827                 |                         | 1,870,115                             |
| <b>Total Cash Receipts</b>  | <u>29,173</u>                   | <u>358,717</u>                  | <u>123,812</u>          | <u>649</u>              | <u>1,870,486</u>                      |
| <b>Cash and Investments Available</b>                                 | <u>176,324</u>                  | <u>2,932,758</u>                | <u>247,571</u>          | <u>103,090</u>          | <u>1,920,712</u>                      |
| <b>Cash Disbursements:</b>  |                                 |                                 |                         |                         |                                       |
| Loan Principal Payments   |                                 |                                 | 34,143                  |                         |                                       |
| Interest Payments   |                                 |                                 | 89,527                  |                         |                                       |
| Operations  |                                 |                                 |                         |                         |                                       |
| Capital and Other Expenses  |                                 | 55,889                          |                         |                         |                                       |
| Developer Escrow Payments   | 22,157                          |                                 |                         |                         |                                       |
| Transfers   |                                 |                                 |                         | 1,090                   | 1,870,115                             |
| <b>Total Cash Disbursements</b>                                       | <u>22,157</u>                   | <u>55,889</u>                   | <u>123,670</u>          | <u>1,090</u>            | <u>1,870,115</u>                      |
| <b>Cash, Cash Equivalents and Investments -<br/>November 30, 2017</b> | <u>154,167</u>                  | <u>2,876,869</u>                | <u>123,901</u>          | <u>102,000</u>          | <u>50,597</u>                         |
| <b>Analysis of Balance:</b>   |                                 |                                 |                         |                         |                                       |
| Cash and Cash Equivalents   | 154,167                         | -                               | -                       | -                       | -                                     |
| Investments   |                                 | 2,876,869                       | 123,901                 | 102,000                 | 50,597                                |
|   | <u>154,167</u>                  | <u>2,876,869</u>                | <u>123,901</u>          | <u>102,000</u>          | <u>50,597</u>                         |
| Unrestricted  |                                 | 71,678                          | 100,350                 | -                       | 597                                   |
| Restricted  | 154,167                         | 2,805,191                       | 23,551                  | 102,000                 | 50,000                                |
|   | <u>154,167</u>                  | <u>2,876,869</u>                | <u>123,901</u>          | <u>102,000</u>          | <u>50,597</u>                         |
| Water   | 77,083                          | 559,953                         | 9,892                   | 42,840                  | 25,000                                |
| Sewer   | 77,084                          | 1,920,642                       | 13,659                  | 59,160                  | 25,000                                |
|   | <u>154,167</u>                  | <u>2,480,595</u>                | <u>23,551</u>           | <u>102,000</u>          | <u>50,000</u>                         |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND**  
**CHANGES IN CASH AND INVESTMENTS - UNRESTRICTED AND RESTRICTED ACCOUNTS**  
**WATER AND SEWER FUNDS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | Rate<br>Stabilization<br>Account | Operating<br>Reserve<br>Account | Post-Employment<br>Benefits<br>Account | Operating /<br>Revenue<br>Accounts | Total             |
|---|----------------------------------|---------------------------------|--|------------------------------------|-------------------|
| <b>Cash, Cash Equivalents and Investments -<br/>December 1, 2016</b>  | 775,082                          | 438,758                         | 813,408                                | 6,612,795                          | 11,637,661        |
| <b>Cash Receipts:</b>   |                                  |                                 |  |                                    |                   |
| Interest on Investments   | 6,815                            | 32,109                          | -                                      | 40,256                             | 82,499            |
| Service Charges   |                                  | 4,577,012                       |  |                                    | 4,577,012         |
| Other Receipts  |                                  | 119,873                         |  |                                    | 351,022           |
| Developer Escrow Receipts   |                                  |                                 |  |                                    | 29,173            |
| Transfers   |                                  |                                 |  | 4,672,855                          | 6,792,051         |
| <b>Total Cash Receipts</b>  | <u>6,815</u>                     | <u>4,728,994</u>                | <u>-</u>                               | <u>4,713,111</u>                   | <u>11,831,757</u> |
| <b>Cash and Investments Available</b>                                 | <u>781,897</u>                   | <u>5,167,752</u>                | <u>813,408</u>                         | <u>11,325,906</u>                  | <u>23,469,418</u> |
| <b>Cash Disbursements:</b>  |                                  |                                 |  |                                    |                   |
| Loan Principal Payments   |                                  |                                 |  |                                    | 34,143            |
| Interest Payments   |                                  |                                 |  |                                    | 89,527            |
| Operations  |                                  |                                 |  | 3,100,354                          | 3,100,354         |
| Capital and Other Expenses  |                                  |                                 |  | 1,847,960                          | 1,903,849         |
| Developer Escrow Payments   |                                  |                                 |  |                                    | 22,157            |
| Transfers   |                                  | 4,671,765                       |  | 249,081                            | 6,792,051         |
| <b>Total Cash Disbursements</b>                                       | <u>-</u>                         | <u>4,671,765</u>                | <u>-</u>                               | <u>5,197,395</u>                   | <u>11,942,081</u> |
| <b>Cash, Cash Equivalents and Investments -<br/>November 30, 2017</b> | <u>781,897</u>                   | <u>495,987</u>                  | <u>813,408</u>                         | <u>6,128,511</u>                   | <u>11,527,337</u> |
| <b>Analysis of Balance:</b>   |                                  |                                 |  |                                    |                   |
| Cash and Cash Equivalents   | -                                | 495,987                         | 813,408                                | 1,093,776                          | 2,557,338         |
| Investments   | 781,897                          | -                               | -                                      | 5,034,735                          | 8,969,999         |
|   | <u>781,897</u>                   | <u>495,987</u>                  | <u>813,408</u>                         | <u>6,128,511</u>                   | <u>11,527,337</u> |
| Unrestricted  | 31,897                           | 475,987                         | 813,408                                | 5,608,177                          | 7,102,094         |
| Restricted  | 750,000                          | 20,000                          |  | 520,334                            | 4,425,243         |
|   | <u>781,897</u>                   | <u>495,987</u>                  | <u>813,408</u>                         | <u>6,128,511</u>                   | <u>11,527,337</u> |
| Water   | 375,000                          | 10,000                          | 447,539                                | 2,401,961                          | 3,949,268         |
| Sewer   | 375,000                          | 10,000                          | 449,519                                | 4,648,005                          | 7,578,069         |
|   | <u>750,000</u>                   | <u>20,000</u>                   | <u>897,058</u>                         | <u>7,049,966</u>                   | <u>11,527,337</u> |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET**

**WATER FUND**

**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|                                  | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b>  | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|----------------------------------|---------------------------------------|--|------------------|-------------------------------|------------------------------|
| <b>Revenues:</b>                 |                                       |  |                  |                               |                              |
| <b>Operating Revenues:</b>       |                                       |  |                  |                               |                              |
| Water User Charges and Fees      | 2,197,000                             | 2,197,000                                | 2,169,873        | (27,127)                      | 2,243,884                    |
| Connection Fees                  | -                                     | -  | 69,592           | 69,592                        | 34,492                       |
| Miscellaneous                    | -                                     | -  | 112,074          | 112,074                       | -                            |
| <b>Non-operating Revenues:</b>   |                                       |  |                  |                               |                              |
| Interest on Investments          | 38,000                                | 38,000                                   | 40,684           | 2,684                         | 19,084                       |
| <b>Unrestricted Net Position</b> | <b>60,000</b>                         | <b>60,000</b>                            | <b>60,000</b>    | <b>-</b>                      | <b>-</b>                     |
| <b>Total Revenues</b>            | <b>2,295,000</b>                      | <b>2,295,000</b>                         | <b>2,452,223</b> | <b>157,223</b>                | <b>2,297,460</b>             |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET**

**WATER FUND**

**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|                                       | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b> | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|---------------------------------------|---------------------------------------|--|-----------------|-------------------------------|------------------------------|
| <b>Expenses:</b>                      |                                       |  |                 |                               |                              |
| <b>Operating Expenses:</b>            |                                       |  |                 |                               |                              |
| <b>Administration:</b>                |                                       |  |                 |                               |                              |
| Salaries and Wages                    | 211,185                               | 211,185                                  | 155,648         | 55,537                        | 201,096                      |
| Fringe Benefits:                      |                                       |  |                 |                               |                              |
| Public Employees' Retirement System   | 33,600                                | 33,600                                   | 23,686          | 9,914                         | 22,110                       |
| Social Security Tax                   | 15,500                                | 15,500                                   | 13,553          | 1,947                         | 13,673                       |
| Health Benefits                       | 71,400                                | 71,400                                   | 66,161          | 5,239                         | 67,860                       |
| Dental Plan                           | 4,500                                 | 4,500                                    | 2,436           | 2,064                         | 3,769                        |
| Unemployment and Disability Insurance | 180                                   | 180                                      | 120             | 60                            | 130                          |
| Other Expenses:                       |                                       |  |                 |                               |                              |
| Customer Refunds                      | 600                                   | 600                                      | -               | 600                           | 251                          |
| Postage                               | 11,000                                | 11,000                                   | 7,339           | 3,661                         | 6,945                        |
| Telephone and Lease Lines             | 7,000                                 | 7,000                                    | 5,588           | 1,412                         | 6,374                        |
| Property and Liability Insurance      | 52,000                                | 55,000                                   | 54,993          | 7                             | 49,633                       |
| Administrative Supplies and Services  | 32,000                                | 32,000                                   | 20,315          | 11,685                        | 16,786                       |
| Professional Services                 | 70,000                                | 70,000                                   | 43,635          | 26,365                        | 49,289                       |
| General Expenses                      | 10,000                                | 10,000                                   | 3,171           | 6,829                         | 2,620                        |
| Property Taxes                        | 1,000                                 | 1,000                                    | 967             | 33                            | 936                          |
| Education and Training                | 10,500                                | 10,500                                   | 7,730           | 2,770                         | 5,611                        |
| Regulatory Fees                       | 30,000                                | 30,000                                   | 22,978          | 7,022                         | 21,991                       |
| <b>Sub-total Administrative</b>       | <b>560,465</b>                        | <b>563,465</b>                           | <b>428,320</b>  | <b>135,145</b>                | <b>469,075</b>               |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET**

**WATER FUND**

**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b>  | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|---|---------------------------------------|--|------------------|-------------------------------|------------------------------|
| <b>Operating Expenses (continued):</b>      |                                       |  |                  |                               |                              |
| <b>Cost of Providing Services:</b>          |                                       |  |                  |                               |                              |
| Salaries and Wages                          | 464,351                               | 464,351                                  | 442,084          | 22,267                        | 445,866                      |
| Fringe Benefits:                            |                                       |  |                  |                               |                              |
| Public Employees' Retirement System         | 84,600                                | 84,600                                   | 52,448           | 32,152                        | 48,958                       |
| Social Security Tax                         | 34,500                                | 34,500                                   | 30,165           | 4,335                         | 30,434                       |
| Health Benefits                             | 145,400                               | 145,400                                  | 139,104          | 6,296                         | 147,569                      |
| Dental Plan                                 | 10,500                                | 10,500                                   | 5,684            | 4,816                         | 8,795                        |
| Unemployment and Disability Insurance       | 245                                   | 245                                      | 177              | 68                            | 177                          |
| Other Expenses:                             |                                       |  |                  |                               |                              |
| Reservoirs, Wells and Maint. Supplies       | 26,000                                | 26,000                                   | 19,499           | 6,501                         | 24,557                       |
| Filtration Plant:                           |                                       |  |                  |                               |                              |
| Chemicals                                   | 35,500                                | 35,500                                   | 31,913           | 3,587                         | 18,461                       |
| Electricity                                 | 256,000                               | 253,000                                  | 192,918          | 60,082                        | 252,593                      |
| Laboratory                                  | 21,000                                | 21,000                                   | 11,892           | 9,108                         | 11,470                       |
| Fuel Oil                                    | 10,000                                | 10,000                                   | 1,615            | 8,385                         | 3,212                        |
| Distribution System:                        |                                       |  |                  |                               |                              |
| Maintenance and Supplies                    | 46,500                                | 46,500                                   | 35,772           | 10,728                        | 44,413                       |
| Gasoline                                    | 20,000                                | 20,000                                   | 12,082           | 7,918                         | 8,058                        |
| Vehicles and Equipment Maint.               | 11,000                                | 11,000                                   | 6,803            | 4,197                         | 4,785                        |
| <b>Sub-total Cost of Providing Services</b> | <b>1,165,596</b>                      | <b>1,162,596</b>                         | <b>982,156</b>   | <b>180,440</b>                | <b>1,049,347</b>             |
| <b>Sub-total Operating</b>                  | <b>1,726,061</b>                      | <b>1,726,061</b>                         | <b>1,410,476</b> | <b>315,585</b>                | <b>1,518,421</b>             |

TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET

WATER FUND

FOR THE YEAR ENDED NOVEMBER 30, 2017

|  | FY 2017<br>Adopted<br>Budget | FY 2017<br>Budget as<br>Amended | Realized         | Excess /<br>(Deficit) | Prior Year<br>Actual |
|--|------------------------------|---------------------------------|------------------|-----------------------|----------------------|
| <b>Other Costs Funded by Operating Revenues:</b> |                              |                                 |                  |                       |                      |
| Debt Service:                                    |                              |                                 |                  |                       |                      |
| Interest Expense                                 | 37,601                       | 37,601                          | 37,498           | 103                   | 38,209               |
| Loan Principal                                   | 14,339                       | 14,339                          | 14,339           | -                     | 13,732               |
| Reserves:  |                              |                                 |                  |                       |                      |
| Renewal and Replacement Reserve                  | 465,806                      | 465,806                         | 465,806          | -                     | 594,865              |
| Future Health Benefits                           | 46,000                       | 46,000                          | 46,000           | -                     | 44,000               |
| Debt Service Coverage                            | 5,193                        | 5,193                           | 5,193            | -                     | 5,194                |
| <b>Sub-total Other Costs</b>                     | <b>568,939</b>               | <b>568,939</b>                  | <b>568,836</b>   | <b>103</b>            | <b>696,000</b>       |
| <b>Total Costs Funded by Operating Revenues</b>  | <b>2,295,000</b>             | <b>2,295,000</b>                | <b>1,979,312</b> | <b>315,688</b>        | <b>2,214,421</b>     |
| <b>Add: Excess / (Deficit)</b>                   | <b>-</b>                     | <b>-</b>                        | <b>472,911</b>   | <b>472,911</b>        | <b>83,039</b>        |
|  | <b>2,295,000</b>             | <b>2,295,000</b>                | <b>2,452,223</b> | <b>(157,223)</b>      | <b>2,297,460</b>     |



**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
WATER FUND**

**FOR THE YEAR ENDED NOVEMBER 30, 2017**

|   | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b> | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|---|---------------------------------------|--|-----------------|-------------------------------|------------------------------|
| <b>Excess of Revenues Over Expenses:</b>          | -                                     | -  | 472,911         |                               | 83,039                       |
| <b>Reconciliation of Budgetary Basis to GAAP:</b> |                                       |  |                 |                               |                              |
| Depreciation                                      |                                       |  | (471,874)       |                               | (464,606)                    |
| Pension Adjustment                                |                                       |  | (65,612)        |                               | (76,041)                     |
| Accumulated Sick and Vacation                     |                                       |  | (10,358)        |                               | 43,906                       |
| Renewal and Replacement Reserve                   |                                       |  | 465,806         |                               | 594,865                      |
| Future Health Benefits                            |                                       |  | 46,000          |                               | 44,000                       |
| Debt Service Coverage                             |                                       |  | 5,193           |                               | 5,194                        |
| Bond Principal                                    |                                       |  | 14,339          |                               | 13,732                       |
| Other Non-Operating Revenues (Expenses)           |                                       |  | -               |                               | (512,440)                    |
| Unrestricted Net Position                         |                                       |  | (60,000)        |                               | -                            |
| <b>Total Adjustments</b>                          |                                       |  | <b>(76,506)</b> |                               | <b>(351,390)</b>             |
| <b>Change in Net Position</b>                     |                                       |  | <b>396,405</b>  |                               | <b>(268,351)</b>             |

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**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
 (A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
 SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
 BY OPERATING REVENUE COMPARED TO BUDGET**

**SEWER FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                  | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b>  | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|----------------------------------|---------------------------------------|--|------------------|-------------------------------|------------------------------|
| <b>Revenues:</b>                 |                                       |  |                  |                               |                              |
| <b>Operating Revenues:</b>       |                                       |  |                  |                               |                              |
| Sewer User Charges and Fees      | 2,593,000                             | 2,593,000                                | 2,445,345        | (147,655)                     | 2,581,208                    |
| Connection Fees                  | -                                     | -  | 161,557          | 161,557                       | -                            |
| Miscellaneous                    | -                                     | -  | 36,972           | 36,972                        | -                            |
| <b>Non-operating Revenues:</b>   |                                       |  |                  |                               |                              |
| Interest on Investments          | 38,000                                | 38,000                                   | 41,815           | 3,815                         | -                            |
| <b>Unrestricted Net Position</b> | <b>-</b>                              | <b>-</b>                                 | <b>-</b>         | <b>-</b>                      | <b>-</b>                     |
| <b>Total Revenues</b>            | <b>2,631,000</b>                      | <b>2,631,000</b>                         | <b>2,685,689</b> | <b>54,689</b>                 | <b>2,581,208</b>             |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET**

**SEWER FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                       | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b> | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|---------------------------------------|---------------------------------------|--|-----------------|-------------------------------|------------------------------|
| <b>Expenses:</b>                      |                                       |  |                 |                               |                              |
| <b>Operating Expenses:</b>            |                                       |  |                 |                               |                              |
| <b>Administration:</b>                |                                       |  |                 |                               |                              |
| Salaries and Wages                    | 211,185                               | 211,185                                  | 155,647         | 55,538                        | 195,378                      |
| Fringe Benefits:                      |                                       |  |                 |                               |                              |
| Public Employees' Retirement System   | 30,300                                | 30,300                                   | 18,710          | 11,590                        | 13,110                       |
| Social Security Tax                   | 16,575                                | 16,575                                   | 14,188          | 2,387                         | 14,314                       |
| Health Benefits                       | 69,000                                | 69,000                                   | 68,019          | 981                           | 72,158                       |
| Dental Plan                           | 4,625                                 | 4,625                                    | 2,483           | 2,142                         | 3,839                        |
| Unemployment and Disability Insurance | 175                                   | 175                                      | 128             | 47                            | 128                          |
| Other Expenses:                       |                                       |  |                 |                               |                              |
| Customer Refunds                      | 600                                   | 600                                      | -               | 600                           | 339                          |
| Postage                               | 9,000                                 | 9,000                                    | 5,970           | 3,030                         | 5,883                        |
| Telephone and Lease Lines             | 7,000                                 | 7,000                                    | 5,971           | 1,029                         | 6,374                        |
| Property and Liability Insurance      | 52,000                                | 55,000                                   | 54,994          | 6                             | 49,633                       |
| Administrative Supplies and Services  | 29,000                                | 29,000                                   | 26,754          | 2,246                         | 18,341                       |
| Professional Services                 | 60,000                                | 60,000                                   | 52,742          | 7,258                         | 49,269                       |
| General Expenses                      | 10,000                                | 10,000                                   | 2,439           | 7,561                         | 2,184                        |
| Property Taxes                        | 9,800                                 | 9,800                                    | 8,237           | 1,563                         | 7,986                        |
| Education and Training                | 12,800                                | 12,800                                   | 7,513           | 5,287                         | 10,990                       |
| Regulatory Fees                       | 23,000                                | 23,000                                   | 19,998          | 3,002                         | 21,177                       |
| <b>Sub-total Administrative</b>       | <b>545,060</b>                        | <b>548,060</b>                           | <b>443,793</b>  | <b>104,267</b>                | <b>471,104</b>               |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET**

**SEWER FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b>  | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|---|---------------------------------------|--|------------------|-------------------------------|------------------------------|
| <b>Operating Expenses (continued):</b>      |                                       |  |                  |                               |                              |
| <b>Cost of Providing Services:</b>          |                                       |  |                  |                               |                              |
| Salaries and Wages                          | 489,573                               | 489,573                                  | 474,637          | 14,936                        | 456,659                      |
| Fringe Benefits:                            |                                       |  |                  |                               |                              |
| Public Employees' Retirement System         | 69,700                                | 69,700                                   | 57,426           | 12,274                        | 57,958                       |
| Social Security Tax                         | 38,425                                | 38,425                                   | 29,531           | 8,894                         | 29,793                       |
| Health Benefits                             | 161,000                               | 161,000                                  | 135,052          | 25,948                        | 143,271                      |
| Dental Plan                                 | 10,375                                | 10,375                                   | 5,637            | 4,738                         | 8,716                        |
| Unemployment and Disability Insurance       | 250                                   | 250                                      | 179              | 71                            | 179                          |
| Other Expenses:                             |                                       |  |                  |                               |                              |
| Pollution Control Plant:                    |                                       |  |                  |                               |                              |
| Maintenance and Supplies                    | 51,000                                | 51,000                                   | 47,846           | 3,154                         | 36,701                       |
| Chemicals                                   | 125,000                               | 125,000                                  | 116,394          | 8,606                         | 108,549                      |
| Electricity                                 | 175,000                               | 172,000                                  | 134,255          | 37,745                        | 174,911                      |
| Laboratory                                  | 23,000                                | 23,000                                   | 18,466           | 4,534                         | 16,965                       |
| Fuel Oil                                    | 16,000                                | 16,000                                   | 9,746            | 6,254                         | 9,529                        |
| Sludge Disposal                             | 172,000                               | 172,000                                  | 133,470          | 38,530                        | 136,239                      |
| Collection System:                          |                                       |  |                  |                               |                              |
| Maintenance and Supplies                    | 18,000                                | 18,000                                   | 10,254           | 7,746                         | 7,770                        |
| Gasoline                                    | 18,000                                | 18,000                                   | 8,781            | 9,219                         | 8,058                        |
| Vehicles and Equipment Maint.               | 10,000                                | 10,000                                   | 6,740            | 3,260                         | 7,361                        |
| <b>Sub-total Cost of Providing Services</b> | <b>1,377,323</b>                      | <b>1,374,323</b>                         | <b>1,188,414</b> | <b>185,909</b>                | <b>1,202,658</b>             |
| <b>Sub-total Operating</b>                  | <b>1,922,383</b>                      | <b>1,922,383</b>                         | <b>1,632,207</b> | <b>290,176</b>                | <b>1,673,762</b>             |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET**

**SEWER FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

|  | <b>FY 2017<br/>Adopted<br/>Budget</b> | <b>FY 2017<br/>Budget as<br/>Amended</b> | <b>Realized</b>  | <b>Excess /<br/>(Deficit)</b> | <b>Prior Year<br/>Actual</b> |
|--|---------------------------------------|--|------------------|-------------------------------|------------------------------|
| <b>Other Costs Funded by Operating Revenues:</b> |                                       |  |                  |                               |                              |
| Debt Service:                                    |                                       |  |                  |                               |                              |
| Interest Expense                                 | 51,926                                | 51,926                                   | 51,781           | 145                           | 52,765                       |
| Loan Principal                                   | 19,802                                | 19,802                                   | 19,802           | -                             | 18,961                       |
| Reserves:  |                                       |  |                  |                               |                              |
| Renewal and Replacement Reserve                  | 583,716                               | 583,716                                  | 583,716          | -                             | 584,099                      |
| Future Health Benefits                           | 46,000                                | 46,000                                   | 46,000           | -                             | 44,000                       |
| Debt Service Coverage                            | 7,173                                 | 7,173                                    | 7,173            | -                             | 7,173                        |
| <b>Sub-total Other Costs</b>                     | <b>708,617</b>                        | <b>708,617</b>                           | <b>708,472</b>   | <b>145</b>                    | <b>706,998</b>               |
| <b>Total Costs Funded by Operating Revenues</b>  | <b>2,631,000</b>                      | <b>2,631,000</b>                         | <b>2,340,679</b> | <b>290,321</b>                | <b>2,380,760</b>             |
| <b>Add: Excess / (Deficit)</b>                   | <b>-</b>                              | <b>-</b>                                 | <b>345,010</b>   | <b>345,010</b>                | <b>200,448</b>               |
|  | <b>2,631,000</b>                      | <b>2,631,000</b>                         | <b>2,685,689</b> | <b>(54,689)</b>               | <b>2,581,208</b>             |

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
SEWER FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | FY 2017<br>Adopted<br>Budget | FY 2017<br>Budget as<br>Amended | Realized         | Excess /<br>(Deficit) | Prior Year<br>Actual |
|---|------------------------------|---------------------------------|------------------|-----------------------|----------------------|
| <b>Excess of Revenues Over Expenses:</b>          | -                            | -                               | 345,010          |                       | 200,448              |
| <b>Reconciliation of Budgetary Basis to GAAP:</b> |                              |                                 |                  |                       |                      |
| Depreciation                                      |                              |                                 | (941,962)        | (673,225)             | (673,225)            |
| Pension Adjustment                                |                              |                                 | (65,612)         | (76,041)              | (76,041)             |
| Accumulated Sick and Vacation                     |                              |                                 | (10,358)         | 43,906                | 43,906               |
| Renewal and Replacement Reserve                   |                              |                                 | 583,716          | 584,099               | 584,099              |
| Future Health Benefits                            |                              |                                 | 46,000           | 44,000                | 44,000               |
| Debt Service Coverage                             |                              |                                 | 7,173            | 7,173                 | 7,173                |
| Bond Principal                                    |                              |                                 | 19,802           | 18,961                | 18,961               |
| Other Non-Operating Revenues (Expenses)           |                              |                                 | -                | 143,552               | 143,552              |
| <b>Total Adjustments</b>                          |                              |                                 | <b>(361,241)</b> | <b>92,425</b>         | <b>92,425</b>        |
| <b>Change in Net Position</b>                     |                              |                                 | <b>(16,231)</b>  | <b>292,873</b>        | <b>292,873</b>       |

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**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF CAPITAL BUDGET PROGRAM  
FUNDED BY FINANCING SOURCES  
FOR THE YEAR ENDED NOVEMBER 30, 2017**

|  | <u>FY 2017<br/>Adopted<br/>Budget</u> | <u>FY 2017<br/>Budget as<br/>Amended</u> | <u>Paid or<br/>Charged</u> | <u>Excess /<br/>(Deficit)</u> |
|--|---------------------------------------|--|----------------------------|-------------------------------|
| <b>Financing Sources:</b>                    |                                       |  |                            |                               |
| Water Fund:                                  |                                       |  |                            |                               |
| Renewal and Replacement Reserve              | 7,255,000                             | 7,255,000                                | 1,231,085                  | 6,023,915                     |
| Other Sources                                | 550,000                               | 550,000                                  | -                          | 550,000                       |
| Sewer Fund:                                  |                                       |  |                            |                               |
| Renewal and Replacement Reserve              | 4,510,000                             | 4,510,000                                | 694,920                    | 3,815,080                     |
| Other Sources                                | 1,700,000                             | 1,700,000                                | -                          | 1,700,000                     |
|  | <u>14,015,000</u>                     | <u>14,015,000</u>                        | <u>1,926,005</u>           | <u>12,088,995</u>             |
| <b>Capital Outlays:</b>                      |                                       |  |                            |                               |
| Water Fund:                                  |                                       |  |                            |                               |
| Equipment Replacement                        | 600,000                               | 600,000                                  | 103,630                    | 496,370                       |
| Water Main Replacement                       | 4,500,000                             | 4,500,000                                | 86,255                     | 4,413,745                     |
| Water Main Replacement (1)                   | 300,000                               | 300,000                                  | -                          | 300,000                       |
| Water Meter Replacement                      | 480,000                               | 480,000                                  | 59,600                     | 420,400                       |
| Replace 1.0 MG Water Tank                    | 500,000                               | 500,000                                  | -                          | 500,000                       |
| Replace 1.0 MG Water Tank (1)                | 200,000                               | 200,000                                  | -                          | 200,000                       |
| Replace 2.4 MG Water Tank                    | 1,100,000                             | 1,100,000                                | 981,599                    | 118,401                       |
| Replace Well # 4 Roof                        | 50,000                                | 50,000                                   | -                          | 50,000                        |
| Repaint WFP Exterior                         | 75,000                                | 75,000                                   | -                          | 75,000                        |
| Sewer Fund:                                  |                                       |  |                            |                               |
| Equipment Replacement                        | 1,020,000                             | 1,020,000                                | 77,989                     | 942,011                       |
| Sanitary Sewer Rehab                         | 165,000                               | 165,000                                  | -                          | 165,000                       |
| Facilities Improvements                      | 1,900,000                             | 1,900,000                                | 616,931                    | 1,283,069                     |
| Facilities Improvements (1)                  | 1,700,000                             | 1,700,000                                | -                          | 1,700,000                     |
| Replace Sewer Jet                            | 450,000                               | 450,000                                  | -                          | 450,000                       |
| UV System Replacement                        | 700,000                               | 700,000                                  | -                          | 700,000                       |
| Nit. Tank Diffuser Repairs                   | 175,000                               | 175,000                                  | -                          | 175,000                       |
| Replace Sewer Camera System                  | 100,000                               | 100,000                                  | -                          | 100,000                       |
| Non-Budgeted Capital Expenditures            | -                                     | -  | -                          | -                             |
| <b>Total Capital Outlays</b>                 | <u>14,015,000</u>                     | <u>14,015,000</u>                        | <u>1,926,005</u>           | <u>12,088,995</u>             |
| <b>Total Costs Funded by Capital Revenue</b> | 14,015,000                            | 14,015,000                               | 1,926,005                  | 12,088,995                    |
| <b>Add: Excess</b>                           | -                                     | -  | -                          | -                             |
|  | <u>14,015,000</u>                     | <u>14,015,000</u>                        | <u>1,926,005</u>           | <u>12,088,995</u>             |

(1) Funded through other sources.

SCHEDULE 7

TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
 (A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
 SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS AND LOANS  
 WATER FUND

| Description                                 | Date of Issue | Interest Rate | Outstanding Maturities |        | Issued | Redeemed       | Balance Dec. 31, 2017 |                |
|---|---------------|---------------|------------------------|--------|--------|----------------|-----------------------|----------------|
|   |               |               | Date                   | Amount |        |                |                       |                |
| Diamond Hill Project<br>USDA Loan Financing | 5/1/2007      | 4.36%         | 2018                   | 14,973 |        |                |                       |                |
|   |               | 4.35%         | 2019                   | 15,636 |        |                |                       |                |
|   |               | 4.35%         | 2020                   | 16,327 |        |                |                       |                |
|   |               | 4.35%         | 2021                   | 17,049 |        |                |                       |                |
|   |               | 4.35%         | 2022                   | 17,803 |        |                |                       |                |
|   |               | 4.35%         | 2023                   | 18,591 |        |                |                       |                |
|   |               | 4.35%         | 2024                   | 19,413 |        |                |                       |                |
|   |               | 4.34%         | 2025                   | 20,272 |        |                |                       |                |
|   |               | 4.34%         | 2026                   | 21,168 |        |                |                       |                |
|   |               | 4.34%         | 2027                   | 22,104 |        |                |                       |                |
|   |               | 4.34%         | 2028                   | 23,082 |        |                |                       |                |
|   |               | 4.33%         | 2029                   | 24,103 |        |                |                       |                |
|   |               | 4.33%         | 2030                   | 25,169 |        |                |                       |                |
|   |               | 4.33%         | 2031                   | 26,282 |        |                |                       |                |
|   |               | 4.32%         | 2032                   | 27,445 |        |                |                       |                |
|   |               | 4.32%         | 2033                   | 28,658 |        |                |                       |                |
|   |               | 4.31%         | 2034                   | 29,926 |        |                |                       |                |
|   |               | 4.30%         | 2035                   | 31,249 |        |                |                       |                |
|   |               | 4.30%         | 2036                   | 32,632 |        |                |                       |                |
|   |               | 4.29%         | 2037                   | 34,075 |        |                |                       |                |
|   |               | 4.27%         | 2038                   | 35,582 |        |                |                       |                |
|   |               | 4.26%         | 2039                   | 37,156 |        |                |                       |                |
|   |               | 4.24%         | 2040                   | 38,799 |        |                |                       |                |
|   |               | 4.21%         | 2041                   | 40,515 |        |                |                       |                |
|   |               | 4.18%         | 2042                   | 42,307 |        |                |                       |                |
|   |               | 4.12%         | 2043                   | 44,178 |        |                |                       |                |
| 4.03%                                       | 2044          | 46,132        |                        |        |        |                |                       |                |
| 3.84%                                       | 2045          | 48,172        |                        |        |        |                |                       |                |
| 2.19%                                       | 2046          | 49,871        |                        |        |        |                |                       |                |
|   |               |               |                        |        |        | 863,008        | 14,339                | 848,669        |
|   |               |               |                        |        |        | <u>863,008</u> | <u>14,339</u>         | <u>848,669</u> |
| Current Portion                             |               |               |                        |        |        | 14,339         |                       | 14,973         |
| Noncurrent Portion                          |               |               |                        |        |        | 848,669        |                       | 833,696        |
|   |               |               |                        |        |        | <u>863,008</u> |                       | <u>848,669</u> |

SCHEDULE 8

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS AND LOANS  
SEWER FUND**

| Description                                 | Date of Issue | Interest Rate | Outstanding Maturities |        | Balance Jan. 1, 2016 | Issued | Redeemed      | Balance Dec. 31, 2016 |
|---|---------------|---------------|------------------------|--------|----------------------|--------|---------------|-----------------------|
|   |               |               | Date                   | Amount |                      |        |               |                       |
| Diamond Hill Project<br>USDA Loan Financing | 5/1/2007      | 4.36%         | 2018                   | 20,677 |                      |        |               |                       |
|   |               | 4.35%         | 2019                   | 21,592 |                      |        |               |                       |
|   |               | 4.35%         | 2020                   | 22,547 |                      |        |               |                       |
|   |               | 4.35%         | 2021                   | 23,544 |                      |        |               |                       |
|   |               | 4.35%         | 2022                   | 24,585 |                      |        |               |                       |
|   |               | 4.35%         | 2023                   | 25,673 |                      |        |               |                       |
|   |               | 4.35%         | 2024                   | 26,808 |                      |        |               |                       |
|   |               | 4.34%         | 2025                   | 27,994 |                      |        |               |                       |
|   |               | 4.34%         | 2026                   | 29,232 |                      |        |               |                       |
|   |               | 4.34%         | 2027                   | 30,525 |                      |        |               |                       |
|   |               | 4.34%         | 2028                   | 31,875 |                      |        |               |                       |
|   |               | 4.33%         | 2029                   | 33,285 |                      |        |               |                       |
|   |               | 4.33%         | 2030                   | 34,757 |                      |        |               |                       |
|   |               | 4.33%         | 2031                   | 36,294 |                      |        |               |                       |
|   |               | 4.32%         | 2032                   | 37,900 |                      |        |               |                       |
|   |               | 4.32%         | 2033                   | 39,576 |                      |        |               |                       |
|   |               | 4.31%         | 2034                   | 41,326 |                      |        |               |                       |
|   |               | 4.30%         | 2035                   | 43,154 |                      |        |               |                       |
|   |               | 4.30%         | 2036                   | 45,063 |                      |        |               |                       |
|   |               | 4.29%         | 2037                   | 47,056 |                      |        |               |                       |
| 4.27%                                       | 2038          | 49,137        |                        |        |                      |        |               |                       |
| 4.26%                                       | 2039          | 51,310        |                        |        |                      |        |               |                       |
| 4.24%                                       | 2040          | 53,579        |                        |        |                      |        |               |                       |
| 4.21%                                       | 2041          | 55,949        |                        |        |                      |        |               |                       |
| 4.18%                                       | 2042          | 58,424        |                        |        |                      |        |               |                       |
| 4.12%                                       | 2043          | 61,008        |                        |        |                      |        |               |                       |
| 4.03%                                       | 2044          | 63,706        |                        |        |                      |        |               |                       |
| 3.84%                                       | 2045          | 66,524        |                        |        |                      |        |               |                       |
| 2.19%                                       | 2046          | 68,870        |                        |        |                      |        |               |                       |
|   |               |               |                        |        | 1,191,772            |        | 19,802        | 1,171,970             |
|   |               |               |                        |        | <u>1,191,772</u>     |        | <u>19,802</u> | <u>1,171,970</u>      |
| Current Portion                             |               |               |                        |        | 19,802               |        |               | 20,677                |
| Noncurrent Portion                          |               |               |                        |        | <u>1,171,970</u>     |        |               | <u>1,151,293</u>      |
|   |               |               |                        |        | <u>1,191,772</u>     |        |               | <u>1,171,970</u>      |

**Schedule 9**

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**ROSTER OF OFFICIALS**

**Authority Members**

**Position**

William Harper

Chairperson

Gerald Di Maio, Jr.

Vice Chairperson

William Kuster, Jr.

Board Member

Leonard Kunz

Board Member

John Di Maio

Board Member

**Other Officials**

Kathleen Corcoran

Executive Director  
Secretary and Treasurer

Deborah Palma

Qualified Purchasing Agent

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
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Newton, N.J. 07860  
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## **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**

The Honorable Chairman and Members of  
The Town of Hackettstown Municipal Utilities Authority  
Hackettstown, NJ 07840

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Hackettstown Municipal Utilities Authority, as of and for the year ended November 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2018.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Finding 2017-001).

The Honorable Chairman and Members of  
The Town of Hackettstown Municipal Utilities Authority  
Page 2.

*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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Hackettstown 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ferraioli, Wielkottz, Cerullo & Cova, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Newton, New Jersey

May 2, 2018

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017**

**Finding 2017-001**

**Conditions:**

The subsidiary ledger accounts were not reconciled to the general ledger control accounts. This resulted in material journal entries being made to the financial statements.

**Criteria:**

N.J. Administrative Code Section 5:31-7.1 Accounting and Financial Reporting system requires a properly functioning system of accounting and accounting controls.

**Cause:**

The Authority has not established an accounting system and internal controls in accordance with N.J. Administrative Code and Good Accounting Practices.

**Effect:**

The Authority's general ledger required material journal entries to correctly reflect the financial statement balances at the end of the year.

**Recommendation:**

That the Authority establish a properly functioning accounting and financial reporting system of accounting and accounting controls in accordance with the N.J. Administrative Code.

**Authority Response:**

The Authority will work with its accounting staff to establish an accounting system and internal controls that will be in accordance with N.J. Administrative Code and good accounting practices.

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

**GENERAL COMMENTS**

**Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3**

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$40,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

The bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$40,000.

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Authority's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No violations were discovered.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank Town of Hackettstown Municipal Utilities Authority for their cooperation during the performance of our audit.

Respectfully submitted,

*Ferraioli, Wielkotz, Cerullo & Cova, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants