

**THE TOWN OF HACKETTSTOWN
MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE
TOWN OF HACKETTSTOWN)
REPORT OF AUDIT
FOR THE YEAR ENDED
NOVEMBER 30, 2019**

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

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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, 2019, 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.



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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.

Unmodified 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, 2019, 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.

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.

The Honorable Chairman and Members of
The Town of Hackettstown Municipal Utilities Authority
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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 June 29, 2020 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,

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Newton, New Jersey

June 29, 2020

Required Supplementary Information - Part I

Management Discussion and Analysis

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, 2019 and 2018. 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 \$48,070,816 (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 \$47,224,834.
- Total combined net position are comprised of the following:
 - (1) Net investment in capital assets of \$44,899,106 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 \$4,912,376 restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(1,740,666) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total combined liabilities of the Authority decreased by \$832,215 to \$8,600,931 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.

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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
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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 \$48,070,816. This is a \$845,982 increase over last year's net position of \$47,224,834. 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 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current Assets:				
Unrestricted:				
Cash and Investments	7,355,992	6,693,843	662,149	9.89
Change Fund	100	100	0	0.00
Accounts Receivable	132,898	77,998	54,900	70.39
Prepaid Expenses	47,772	50,789	(3,017)	(5.94)
Restricted:				
Cash and Investments	<u>5,039,755</u>	<u>4,839,118</u>	<u>200,637</u>	4.15
Total Current Assets	<u>12,576,517</u>	<u>11,661,848</u>	<u>914,669</u>	7.84
Noncurrent Assets:				
Capital Assets				
Capital Assets Not Being Depreciated:				
Land	747,800	747,800	0	0.00
Capital Assets	74,791,560	72,752,731	2,038,829	2.80
Less: Accumulated Depreciation	(30,792,019)	(30,031,649)	(760,370)	2.53
Construction in Progress	<u>2,099,526</u>	<u>3,603,082</u>	<u>(1,503,556)</u>	(41.73)
				(0.48)
Total Capital Assets	<u>46,846,867</u>	<u>47,071,964</u>	<u>(225,097)</u>	
Total Assets	<u>59,423,384</u>	<u>58,733,812</u>	<u>689,572</u>	1.17
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB Deferred Outflows	<u>832,149</u>	<u>1,051,032</u>	<u>(218,883)</u>	<u>(20.83)</u>

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Net Position (Continued)

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

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
LIABILITIES				
Current Liabilities:				
Unrestricted:				
Accounts Payable	92,979	91,721	1,258	1.37
Accounts Payable - Pension and OPEB	<u>301,400</u>	<u>325,100</u>	<u>(23,700)</u>	(7.29)
	<u>394,379</u>	<u>416,821</u>	<u>(22,442)</u>	(5.38)
Restricted:				
Accrued Interest on Debt	14,133	14,474	(341)	(2.36)
Accounts Payable - Construction		44,117	(44,117)	
Escrow Deposits Payable	113,246	109,201	4,045	3.70
Loans Payable - Current Portion	<u>38,874</u>	<u>37,228</u>	<u>1,646</u>	4.42
	<u>166,253</u>	<u>205,020</u>	<u>(38,767)</u>	(18.91)
Noncurrent Liabilities:				
Compensated Absences Payable	340,263	322,864	17,399	5.39
Net Pension Liability	3,126,366	3,363,960	(237,594)	(7.06)
Net OPEB Liability	2,664,783	3,176,720	(511,937)	(16.12)
Loans Payable	<u>1,908,887</u>	<u>1,947,761</u>	<u>(38,874)</u>	(2.00)
Total Noncurrent Liabilities	<u>8,040,299</u>	<u>8,811,305</u>	<u>(771,006)</u>	(8.75)
Total Liabilities	<u>8,600,931</u>	<u>9,433,146</u>	<u>(832,215)</u>	(8.82)
DEFERRED INFLOWS OF RESOURCES				
Pension and OPEB Deferred Inflows	<u>3,583,786</u>	<u>3,126,864</u>	<u>456,922</u>	14.61
NET POSITION				
Net Investment in Capital Assets	44,899,106	45,086,975	(187,869)	(0.42)
Restricted	4,912,376	4,671,326	241,050	5.16
Unrestricted	<u>(1,740,666)</u>	<u>(2,533,467)</u>	<u>792,801</u>	(31.29)
Total Net Position	<u>48,070,816</u>	<u>47,224,834</u>	<u>845,982</u>	1.79

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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 \$845,982.

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

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue:				
Service Charges	4,911,981	4,585,437	326,544	7.12
Connection Fees	205,503	178,427	27,076	15.17
Miscellaneous	<u>139,089</u>	<u>118,956</u>	<u>20,133</u>	100.00
Total Operating Revenue	<u>5,256,573</u>	<u>4,882,820</u>	<u>373,753</u>	7.65
Operating Expense:				
Salaries and Wages	1,361,090	1,257,948	103,142	8.20
Fringe Benefits	564,535	697,664	(133,129)	(19.08)
Other Expenses	1,310,932	1,227,589	83,343	6.79
Depreciation Expense	<u>1,002,296</u>	<u>1,113,147</u>	<u>(110,851)</u>	(9.96)
Total Operating Expense	<u>4,238,853</u>	<u>4,296,348</u>	<u>(57,495)</u>	(1.34)
Operating Income	<u>1,017,720</u>	<u>586,472</u>	<u>513,718</u>	87.59
Non-Operating Revenue (Expense):				
Interest on Investments	167,235	118,866	48,369	40.69
Accumulated Sick and Vacation	(17,399)	(4,670)	(12,729)	272.57
Interest Expense	(86,099)	(87,756)	1,657	(1.89)
Other Non-Operating Expenses	<u>(235,475)</u>	<u>(3,407)</u>	<u>(232,068)</u>	(100.00)%
	<u>(171,738)</u>	<u>23,033</u>	<u>(194,771)</u>	(845.62)
Increase/(Decrease) in Net Position	845,982	609,505	236,477	38.80
Net Position - Dec. 1	<u>47,224,834</u>	<u>46,615,329</u>	<u>24,522</u>	0.05
Net Position - Nov. 30	<u>48,070,816</u>	<u>47,224,834</u>	<u>845,982</u>	1.79

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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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 2019 budget comparison for the water and sewer funds:

Budget vs. Actual
FY 2019 - Water Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Unrestricted Net Position	105,554	105,554	0
Operating	2,118,000	2,363,416	245,416
Non-Operating	<u>38,000</u>	<u>83,617</u>	<u>45,617</u>
	<u>2,261,554</u>	<u>2,552,587</u>	<u>291,033</u>
Expenses:			
Operating	1,790,982	1,565,366	225,616
Non-Operating	<u>470,572</u>	<u>470,429</u>	<u>143</u>
	<u>2,261,554</u>	<u>2,035,795</u>	<u>225,759</u>
Income Before Depreciation	<u>0</u>	<u>516,792</u>	<u>516,792</u>

Budget vs. Actual
FY 2019 - Sewer Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,577,500	2,893,157	315,657
Non-Operating	<u>38,000</u>	<u>83,618</u>	<u>45,618</u>
	<u>2,615,500</u>	<u>2,976,775</u>	<u>361,275</u>
Expenses:			
Operating	1,983,391	1,768,616	214,775
Non-Operating	<u>632,109</u>	<u>631,911</u>	<u>198</u>
	<u>2,615,500</u>	<u>2,400,527</u>	<u>214,973</u>
Income Before Depreciation	<u>0</u>	<u>576,248</u>	<u>576,248</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 2019, the Authority had invested \$75,539,360 in combined property, plant and equipment. The Authority's combined net property, plant and equipment at fiscal year end was \$46,846,867. This is a decrease of \$225,097 over last year's combined net property, plant and equipment of \$47,071,964. A summary of the Authority's capital assets is presented in the following table:

Capital Assets - Water and Sewer Funds

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>
Land	747,800	747,800	0
Buildings/Force Mains/Interceptors, Vehicles and Equipment	<u>74,791,560</u>	<u>72,752,731</u>	<u>2,038,829</u>
Total Property, Plant and Equipment	75,539,360	73,500,531	2,038,829
Less: Accumulated Depreciation	<u>(30,792,019)</u>	<u>(30,031,649)</u>	<u>(760,370)</u>
Net Property, Plant and Equipment	44,747,341	43,468,882	1,278,459
Construction in Progress	<u>2,099,526</u>	<u>3,603,082</u>	<u>(1,503,556)</u>
Total Capital Assets	<u>46,846,867</u>	<u>47,071,964</u>	<u>(225,097)</u>

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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/Valve/Itron/Veh. Replacement	2,240,000
Well/Pump Station Improvements	385,000
Water Main/Soil Disposal/Pavir	2,300,000
New 1.0 MG Tank	<u>3,300,000</u>
Total	<u>8,225,000</u>
Sewer:	
Equip. Replacement/Improvements	4,035,000
Sewer Jet/Camera/Vehicles/Itron	895,000
Disinfection System Repl.	430,000
Nat. Gas Conversion/Generator	<u>2,207,000</u>
Total	<u>7,567,000</u>
TOTAL	<u>15,792,000</u>

Debt Administration

As of November 30, 2019, the Authority had outstanding United States Department of Agriculture Rural Development Loans in the amount of \$1,947,761. 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 Authority, 424 Hurley Drive, Hackettstown, New Jersey 07840.

Financial Statements

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)
STATEMENT OF NET POSITION
NOVEMBER 30, 2019

EXHIBIT A
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	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
<u>Unrestricted:</u>			
Cash and Cash equivalents	\$ 289,197	\$ 231,340	\$ 520,537
Investments	2,100,104	4,735,351	6,835,455
Change Fund	50	50	100
Accounts Receivable	56,826	76,072	132,898
Prepaid Expenses	43,186	4,586	47,772
	<u>2,489,363</u>	<u>5,047,399</u>	<u>7,536,762</u>
 <u>Restricted:</u>			
Escrow Fund:			
Cash and Cash equivalents	56,623	56,623	113,246
Construction Aid Fund:			
Investments	389,989	2,333,673	2,723,662
Bond Service Fund:			
Investments	7,991	11,954	19,945
Bond Reserve Account:			
Investments	42,840	59,160	102,000
Renewal and Replacement Account:			
Investments	246,943	1,063,959	1,310,902
Rate Stabilization Fund:			
Investments	375,000	375,000	750,000
Operating Reserve Fund:			
Cash and Cash equivalents	10,000	10,000	20,000
	<u>1,129,386</u>	<u>3,910,369</u>	<u>5,039,755</u>
 Non-Current Assets:			
<u>Capital Assets:</u>			
Land	350,000	397,800	747,800
Capital Assets	37,149,483	37,642,077	74,791,560
Less: Accumulated Depreciation	(12,751,025)	(18,040,994)	(30,792,019)
Construction in Progress	1,303,565	795,961	2,099,526
	<u>26,052,023</u>	<u>20,794,844</u>	<u>46,846,867</u>
 TOTAL ASSETS	 \$ 29,670,772	 \$ 29,752,612	 \$ 59,423,384

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

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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STATEMENT OF NET POSITION
NOVEMBER 30, 2019

EXHIBIT A
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	Water Fund	Sewer Fund	Total
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows:			
Deferred Pension-Related Outflows	325,753	325,754	651,507
Deferred OPEB-Related Outflows	90,321	90,321	180,642
TOTAL DEFERRED OUTFLOWS OF RESOURCES	416,074	416,075	832,149
<u>LIABILITIES</u>			
Current Liabilities:			
<u>Payable from Unrestricted Assets:</u>			
Accounts Payable and Accrued Liabilities	\$ 37,852	\$ 55,127	\$ 92,979
Accounts Payable - Pension-Related	83,800	83,800	167,600
Accounts Payable - OPEB-Related	66,900	66,900	133,800
Total Payable from Unrestricted Assets	188,552	205,827	394,379
<u>Payable from Restricted Assets:</u>			
Accrued Interest Payable	5,936	8,197	14,133
Escrow Deposits Payable	56,623	56,623	113,246
Loans Payable - Current Portion	16,327	22,547	38,874
Total Payable from Restricted Assets	78,886	87,367	166,253
Non-Current Liabilities:			
Compensated Absences Payable	170,132	170,131	340,263
Net Pension Obligation	1,563,183	1,563,183	3,126,366
Net OPEB Obligation	1,332,391	1,332,392	2,664,783
Loans Payable - Long-Term Portion	801,733	1,107,154	1,908,887
Total Non-Current Liabilities	3,867,439	4,172,860	8,040,299
TOTAL LIABILITIES	4,134,877	4,466,054	8,600,931

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, 2019

EXHIBIT A
Page 3 of 3

	Water Fund	Sewer Fund	Total
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows:			
Deferred Pension-Related Inflows	677,050	677,050	1,354,100
Deferred OPEB-Related Inflows	1,114,843	1,114,843	2,229,686
TOTAL DEFERRED INFLOWS OF RESOURCES	1,791,893	1,791,893	3,583,786
<u>NET POSITION</u>			
Net Position:			
Net Investment in Capital Assets	25,233,963	19,665,143	44,899,106
Restricted:			
Construction Aid Fund	389,989	2,333,673	2,723,662
Current Debt Service	2,055	3,758	5,813
Future Debt Service	42,840	59,160	102,000
Renewal and Replacement	246,943	1,063,958	1,310,901
Rate Stabilization	375,000	375,000	750,000
Operating	10,000	10,000	20,000
Unrestricted:			
Designated	577,311	577,312	1,154,623
Undesignated	(2,718,025)	(177,264)	(2,895,289)
TOTAL NET POSITION	\$ 24,160,076	\$ 23,910,740	\$ 48,070,816

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)
CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2019

EXHIBIT B

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenue:			
Service Charges	\$ 2,264,176	\$ 2,647,805	\$ 4,911,981
Connection Fees	65,148	140,355	205,503
Miscellaneous	34,092	104,997	139,089
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	2,363,416	2,893,157	5,256,573
	<hr/>	<hr/>	<hr/>
Operating Expenses:			
Salaries and Wages	663,763	697,327	1,361,090
Fringe Benefits	284,767	279,768	564,535
Other Expenses	568,123	742,809	1,310,932
Depreciation Expense	463,429	538,867	1,002,296
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,980,082	2,258,771	4,238,853
	<hr/>	<hr/>	<hr/>
Operating Income	383,334	634,386	1,017,720
	<hr/>	<hr/>	<hr/>
Non-Operating Revenue (Expenses):			
Interest on Investments	83,617	83,618	167,235
Refund of Connection Fees	(112,686)	(240,784)	(353,470)
Accumulated Sick and Vacation	(8,700)	(8,699)	(17,399)
Interest Expense	(36,162)	(49,937)	(86,099)
Loss on Disposal of Assets	-	(57,297)	(57,297)
Other Non-Operating Revenue (Expenses)	60,923	114,369	175,292
	<hr/>	<hr/>	<hr/>
Non-Operating Income (Loss)	(13,008)	(158,730)	(171,738)
	<hr/>	<hr/>	<hr/>
Change In Net Position	370,326	475,656	845,982
	<hr/>	<hr/>	<hr/>
Net Position - December 1, 2018	23,789,750	23,435,084	47,224,834
	<hr/>	<hr/>	<hr/>
Net Position - November 30, 2019	\$ 24,160,076	\$ 23,910,740	\$ 48,070,816
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received from Service Charges	\$ 2,128,101	2,375,510	\$ 4,503,611
Other Receipts	99,240	245,352	344,592
Cash Paid to Vendors and Employees	<u>(1,490,960)</u>	<u>(1,693,177)</u>	<u>(3,184,137)</u>
Net Cash Provided by Operating Activities	<u>736,381</u>	<u>927,685</u>	<u>1,664,066</u>
Cash Flow from Investing Activities:			
Interest Earned on Investments	83,617	83,618	167,235
Net Transfers (To) From Investments	<u>(446,052)</u>	<u>(450,689)</u>	<u>(896,741)</u>
Net Cash Provided by (used in) Investing Activities	<u>(362,435)</u>	<u>(367,071)</u>	<u>(729,506)</u>
Cash Flow from Financing Activities:			
Principal Payment on Loan	(15,636)	(21,592)	(37,228)
Interest Paid on Loan	(36,305)	(50,135)	(86,440)
Capital Expenditures Paid	<u>(353,114)</u>	<u>(513,368)</u>	<u>(866,482)</u>
Net Cash Used in Financing Activities	<u>(405,055)</u>	<u>(585,095)</u>	<u>(990,150)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(31,109)	(24,481)	(55,590)
Cash, Cash Equivalents and Investments - December 1, 2018	<u>386,929</u>	<u>322,444</u>	<u>709,373</u>
Cash, Cash Equivalents and Investments - November 30, 2019	<u>\$ 355,820</u>	<u>\$ 297,963</u>	<u>\$ 653,783</u>
Analysis of Balance:			
Unrestricted	\$ 289,197	\$ 231,340	\$ 520,537
Restricted	<u>66,623</u>	<u>66,623</u>	<u>133,246</u>
	<u>\$ 355,820</u>	<u>\$ 297,963</u>	<u>\$ 653,783</u>

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)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING INCOME (LOSS)	\$ 383,334	\$ 634,386	\$ 1,017,720
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation Expense	463,429	538,867	1,002,296
Decrease (Increase) in Accounts Receivable	(23,389)	(31,511)	(54,900)
Refund of Connection Fees	(112,686)	(240,784)	(353,470)
Decrease (Increase) in Prepaid Expenses	2,930	87	3,017
Increase (Decrease) in Accounts Payable	12,240	16,118	28,358
Increase (Decrease) in Pension-Related Liabilities	8,500	8,500	17,000
Increase (Decrease) in Escrow Deposits	2,023	2,022	4,045
Total Adjustments	<u>353,047</u>	<u>293,299</u>	<u>646,346</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 736,381</u>	<u>\$ 927,685</u>	<u>\$ 1,664,066</u>

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

Notes to Financial Statements

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019

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, 2019
(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, 2019
(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 net investment in capital assets. 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 "net investment in capital assets."

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, 2019
(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, 2019
(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, 2019
(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.

Other Post-Employment Benefits (OPEB) - The difference between the expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on OPEB plan investments, changes in the Authority's proportion of expenses and liabilities to the OPEB as a whole, differences between the Authority's OPEB contribution and its proportionate share of contributions, and the Authority's OPEB contributions subsequent to the OPEB measurement date.

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 (Current Debt Service)	Amount needed to pay matured principal and interest.	Principal and interest on the debt.
Bond Reserve (Future Debt Service)	Amount needed to equal the reserve requirement.	Transfers to meet minimum levels required in the bond service account.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

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

I. Restricted Accounts, (continued)

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
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. 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, 2019
(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. 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.

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effect for fiscal years beginning after December 15, 2019, though earlier application is encouraged. The Authority believes this Statement may impact the reporting of certain interest payments previously recorded as capital expenditures.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

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

M. Recent Accounting Pronouncements, (continued)

In August 2018, the Government Accounting Standards Board issued GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority does not believe this Statement will have any effect on future financial statements.

In May 2019, the Government Accounting Standards Board issued GASB Statement No. 91, Conduit Debt Obligation. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in the practice associated with (1) commitments extended by issuers, (2) arrangements associated with the conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definitions of a conduit debt obligation; establishing that conduit debt obligation is not a liability of the issuer; accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

In January 2020, the Government Accounting Standards Board issued GASB Statement No. 92, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 93, Replacement of Interbank Offering Rates. The objective of this Statement is to address certain issues with Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, Statement No. 87, *Leases*, as amended and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for fiscal years beginning after June 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

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

M. Recent Accounting Pronouncements, (continued)

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority does not believe this Statement will have any effect on future financial statements.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*;

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

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

M. Recent Accounting Pronouncements, (continued)

Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

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, 2019, cash and cash equivalents of the Town of Hackettstown Municipal Utilities Authority consisted of the following:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Total</u>
Cash on Hand	\$100	\$100
Checking and Savings Accounts	<u>653,783</u>	<u>653,783</u>
	<u>\$653,883</u>	<u>\$653,883</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

	<u>Analysis</u>
Restricted Accounts	\$133,246
Unrestricted Accounts	<u>520,637</u>
	<u>\$653,883</u>

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, 2019, \$-0- of the Authority's bank balance of \$667,805 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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(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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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(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, 2019:

<u>Investment Type</u>	<u>Face Amount</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in years)</u>		
			<u><1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of Deposit	\$2,754,606	\$2,770,508	\$1,884,002	\$886,506	\$
Government and Other Bonds	6,563,344	6,574,345	3,954,741	2,234,450	385,155
Money Market Funds, Misc.	<u>2,397,111</u>	<u>2,397,111</u>	<u>2,397,111</u>		
	<u>\$11,715,061</u>	<u>\$11,741,964</u>	<u>\$8,235,854</u>	<u>\$3,120,956</u>	<u>\$385,155</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.

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, 2019 is as follows:

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 5. PROPERTY, PLANT AND EQUIPMENT, (continued)

	<u>Balance</u> <u>Nov. 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2019</u>
Capital Assets, Not Being Depreciated:				
Land	\$747,800	\$	\$	\$747,800
Construction in Progress	<u>3,603,082</u>	<u> </u>	<u>1,503,556</u>	<u>2,099,526</u>
	<u>4,350,882</u>	<u> 0</u>	<u>1,503,556</u>	<u>2,847,326</u>
Capital Assets, Being Depreciated:				
Infrastructure	43,921,160	1,749,410		45,670,570
Building and Improvements	20,431,642	4,567		20,436,209
Vehicles	888,247	49,093		937,340
Machinery and Equipment	7,511,682	534,982	299,223	7,747,441
Less: Accumulated Depreciation	<u>(30,031,649)</u>	<u>(1,002,296)</u>	<u>(241,926)</u>	<u>(30,792,019)</u>
	<u>42,721,082</u>	<u>1,335,756</u>	<u>57,297</u>	<u>43,999,541</u>
Capital Assets	<u>\$47,071,964</u>	<u>\$1,335,756</u>	<u>\$1,560,853</u>	<u>\$46,846,867</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, 2019, the Authority had the following bonds outstanding:

	<u>Balance</u> <u>Nov. 30, 2017</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>Nov. 30, 2018</u>
USDA Rural Development Loan:				
Water Portion	\$833,696	\$	\$15,636	\$818,060
Sewer Portion	<u>1,151,293</u>	<u> </u>	<u>21,592</u>	<u>1,129,701</u>
	<u>\$1,984,989</u>	<u>\$</u>	<u>\$37,228</u>	<u>\$1,947,761</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 6. LOAN PAYABLE, (continued)

Presented below is a summary of debt service requirements to maturity.

Year Ending Nov. 30,	Water		Sewer		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	33,285	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	49,871	1,091	68,870	1,507	118,741	2,598
	<u>\$818,060</u>	<u>\$583,359</u>	<u>\$1,129,701</u>	<u>\$805,588</u>	<u>\$1,947,761</u>	<u>\$1,388,947</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(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.

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

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NOTES TO BASIC FINANCIAL STATEMENTS
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(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 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 7. PENSION, (continued)

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

<u>Three Year Trend Information for PERS</u>		
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>
	<u>Cost (APC)</u>	<u>Contributed</u>
11/30/19	\$170,540	100%
11/30/18	157,892	100%
11/30/17	156,401	100%

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

Public Employees Retirement System (PERS)

At November 30, 2019, the Authority reported a liability of \$3,126,366 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Authority's proportion was 0.0173508848 percent, which was an increase of 0.0002658397 percent from its proportion measured as of June 30, 2018.

For the year ended November 30, 2019, the Authority recognized pension expense of \$164,632. At November 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Changes of assumptions	\$312,179	\$1,098,963
Net difference between projected and actual earnings on pension plan investments	56,114	39,291
Changes in proportion and differences between Authority contributions and proportionate share of contributions	115,614	49,351
Other deferred pension adjustments		166,495
Authority contributions subsequent to the measurement date	<u>167,600</u>	
Total	<u>\$651,507</u>	<u>\$1,354,100</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
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(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 \$167,600 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, 2019, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability in the year ended November 30, 2019. 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:	
2020	\$ (90,275)
2021	(292,851)
2022	(261,499)
2023	(122,787)
2024	(12,608)

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 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at November 30, 2019 is as follows:

	<u>Nov. 30, 2019</u>
Collective deferred outflows of resources	\$3,149,522,616
Collective deferred inflows of resources	7,645,087,574
Collective net pension liability	18,018,482,972
Authority's Proportion	0.0173508848%

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NOTES TO BASIC FINANCIAL STATEMENTS
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(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 collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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 Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non- Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2019.

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YEAR ENDED NOVEMBER 30, 2019
(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, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(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 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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, 2019, 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, 2019		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>5.28%</u>	<u>6.28%</u>	<u>7.28%</u>
Authority's proportionate share of the pension liability	\$3,976,581	\$3,126,366	\$2,450,052

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.

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(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) 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.

General Information about the OPEB Plan

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

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

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

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Total OPEB Liability

At November 30, 2019, the Authority had a liability of \$2,664,783 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers in the plan. At June 30, 2019 the Authority's proportion was 0.019672 percent.

For the year ended November 30, 2019, the Authority recognized pension expense (benefit) of \$(91,517). At November 30, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$	\$944,340
Net difference between projected and actual earnings on pension plan investments	2,195	779,286
Contributions subsequent to measurement date	133,800	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	44,647	407,176
Deferred OPEB adjustment	<u> </u>	<u>98,884</u>
 Total	 <u>\$180,642</u>	 <u>\$2,229,686</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$(288,988)
2021	(288,988)
2022	(289,165)
2023	(289,452)
2024	(289,714)
Thereafter	(328,065)

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

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 8.05, 8.14 and 8.04 years for 2019, 2018 and 2017 amounts, respectively.

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation rate	2.50%
Salary increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

* Salary increases are based on years of service within the respective plan.

100% of active members are considered to participate in the Plan upon retirement.

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected.. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease <u>2.50%</u>	At Current Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Authority's proportionate share of Net OPEB liability	\$3,175,927	\$2,664,783	\$2,397,963

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates:

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of Net OPEB liability	\$2,317,907	\$2,664,783	\$3,293,781

NOTE 9. COMPENSATED ABSENCES

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, 2019, compensated absences accrued for Authority employees was \$340,263.

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.

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2019
(CONTINUED)

NOTE 12. AMOUNTS REQUIRED BY BOND RESOLUTION

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

Construction Aid 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, 2019, the Authority's construction fund was the following:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Construction Aid Fund	<u>\$389,989</u>	<u>\$2,333,673</u>	<u>\$2,723,662</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, 2019, the Authority's current debt service fund was comprised of the following:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash and Investments	\$7,991	\$11,954	\$19,945
Less: Accrued Interest Payable	<u>(5,936)</u>	<u>(8,196)</u>	<u>(14,132)</u>
Current Debt Service Reserve	<u>\$2,055</u>	<u>\$3,758</u>	<u>\$5,813</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, 2019, 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, 2019
(CONTINUED)

NOTE 12. 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, 2019, the Authority restricted the following funds for renewal and replacement:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Renewal and Replacement	<u>\$246,943</u>	<u>\$1,063,958</u>	<u>\$1,310,901</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, 2019, 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, 2019, 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, 2019
(CONTINUED)

NOTE 13. 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	\$527,311	\$527,312	\$1,054,623
Designated for Compensated Absences	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
	<u>\$577,311</u>	<u>\$577,312</u>	<u>\$1,154,623</u>

At November 30, 2019, the Authority reported a total amount of \$1,154,623 of Unrestricted Net Position - Designated for the purposes described above.

The remaining, undesignated portion of the Authority's net position was comprised of the following at November 30, 2019:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pension Related	\$(1,914,480)	\$(1,914,479)	(\$3,828,959)
OPEB Pension Related	(2,423,813)	(2,423,814)	(4,847,627)
Available for Use in Future Budgets	<u>1,620,268</u>	<u>4,161,029</u>	<u>5,781,297</u>
	<u>(\$2,718,025)</u>	<u>(\$177,264)</u>	<u>(\$2,895,289)</u>

NOTE 14. SUBSEQUENT EVENTS

On March 9, 2020 Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma among many of the ratepayers of the Hackettstown Municipal Utilities Authority. The Authority has identified several risks as a result of this pandemic, including a possible delay in collection of water/sewer rents and potential cash flow shortages as the result of these delayed collection. The Authority will continue to monitor the situation closely.

The Authority has evaluated subsequent events through June 29, 2020, the date which the financial statements were available to be issued and no other items were noted for disclosure.

Required Supplementary Information - Part II

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 Six Fiscal Years**

	Measurement Date Ending June 30.					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0173508848%	0.0170850451%	0.0168827880%	0.0171188029%	0.016532%	0.017193%
Authority's Proportionate Share of the Net Pension Liability	\$3,126,366	\$3,363,960	\$3,930,043	\$5,070,098	\$3,711,263	\$3,219,054
Authority's Covered-Employee Payroll	\$1,316,119	\$1,235,169	\$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 its Covered-Employee Payroll	237.54%	272.35%	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 Six Fiscal Years**

	Fiscal Year ended November 30.					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractual Required Contribution	\$170,540	\$157,892	\$156,401	\$152,081	\$142,137	\$141,739
Contributions in Relation to the Contractually Required Contribution	<u>(170,540)</u>	<u>(157,892)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$1,316,119	\$1,235,169	\$1,202,561	\$1,180,802	\$1,183,516	\$1,131,335
Contributions as a Percentage of Authority's Covered-Employee Payroll	12.96%	12.78%	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.

SCHEDULE RSI-3

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

**Required Supplementary Information
Schedule of Changes in the Authority's Proportionate
Share of the State OPEB Liability
Last Three Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:			
Service Cost	\$131,129	\$181,730	\$213,075
Interest	125,130	154,933	129,788
Changes of Assumptions	(597,555)	(1,204,581)	(517,984)
Benefit Payments	(92,494)	(85,492)	(83,565)
Contributions - Members	8,508	10,947	10,726
Change in Allocation	(96,684)	53,842	459,881
Net Change in Total OPEB Liability	<u>(521,966)</u>	<u>(888,621)</u>	<u>(707,841)</u>
Total OPEB Liability - Beginning	<u>3,240,488</u>	<u>4,129,109</u>	<u>4,836,950</u>
Total OPEB Liability - Ending	<u>\$2,718,522</u>	<u>\$3,240,488</u>	<u>\$4,129,109</u>
Plan Fiduciary Net Position:			
Contributions - Employer	68,147	85,406	70,424
Contributions - Non-Employer Contribution			
Entities	8,627	10,858	10,621
Contributions - Members	8,508	10,947	10,726
Net Investment Income	950	471	158
Benefit Payments	(92,494)	(85,492)	(83,565)
Administrative Expense	(1,865)	(1,663)	(1,780)
Change in Allocation	<u>(1,902)</u>	<u>6,556</u>	<u>(3,163)</u>
Net Change in Plan Fiduciary Net Position	<u>(10,029)</u>	<u>27,083</u>	<u>3,421</u>
Plan Fiduciary Net Position - Beginning	<u>63,768</u>	<u>36,685</u>	<u>33,264</u>
Plan Fiduciary Net Position - Ending	<u>53,739</u>	<u>63,768</u>	<u>36,685</u>
Authority's Net OPEB Liability	<u>\$2,664,783</u>	<u>\$3,176,720</u>	<u>\$4,092,424</u>

*GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation, ten years is not presented. Each year thereafter, or additional year will be included until ten years of date is presented.

**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, 2019**

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 5.66% to 6.8%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Changes of Benefit Terms

None

Changes in Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 8.

Supplementary Schedules

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, 2019

	Net Investment in Capital Assets	Restricted					Operating Reserve
		Construction Fund (Reserve for Future Capital Projects)	Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Rate Stabilization Reserve	
Operating Revenue:							
Service Charges	-						
Connection Fees		65,148					
Miscellaneous							
Total Operating Revenue		65,148					
Operating Expense:							
Salaries and Wages							
Fringe Benefits							
Other Expenses	463,429						
Depreciation Expense							
Total Operating Expense	463,429						
Operating Income	(463,429)	65,148					
Non-Operating Revenue (Expense):							
Interest on Investments							
Accumulated Sick and Vacation							
Refund of Connection Fees							
Interest Expense							
Other Non-Operating Revenue (Expenses)							
Net Income (Loss) Before Transfers	(463,429)	65,148					
Transfers:							
Capital Expenditures	290,043	(13,885)			(276,158)		
Bond Principal	15,636						
Budget Appropriations		5,631					
Other Transfers		(6,154)					
Increase/(Decrease) in Net Position	(157,750)	51,263	(523)		88,842		
Net Position - Dec. 1, 2018	25,391,713	338,726	2,578	42,840	158,101	375,000	10,000
Net Position - November 30, 2019	25,233,963	389,989	2,055	42,840	246,943	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, 2019

	Designated for Post-Employment Benefits Fund	Unrestricted Compensated Absences	Undesignated	Total
Operating Revenue:				
Service Charges			2,264,176	2,264,176
Connection Fees			65,148	65,148
Miscellaneous			34,092	34,092
Total Operating Revenue	-	-	2,298,268	2,363,416
Operating Expense:				
Salaries and Wages		663,763		663,763
Fringe Benefits		284,767		284,767
Other Expenses		568,123		568,123
Depreciation Expense			463,429	463,429
Total Operating Expense	-	-	1,516,653	1,980,082
Operating Income	-	-	781,615	383,334
Non-Operating Revenue (Expense):				
Interest on Investments			83,617	83,617
Accumulated Sick and Vacation	(8,700)		(8,700)	(8,700)
Refund of Connection Fees			(112,686)	(112,686)
Interest Expense			(36,162)	(36,162)
Other Non-Operating Revenue (Expenses)			60,923	60,923
	(8,700)	-	(4,308)	(13,008)
Net Income (Loss) Before Transfers	(8,700)	-	777,307	370,326
Transfers:				
Capital Expenditures				
Bond Principal			(15,636)	-
Budget Appropriations	48,000		(418,631)	-
Other Transfers			6,154	-
Increase/(Decrease) in Net Position	39,300	-	349,194	370,326
Net Position - Dec. 1, 2018	488,011	50,000	(3,067,219)	23,789,750
Net Position - November 30, 2019	527,311	50,000	(2,718,025)	24,160,076

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, 2019

	Net Investment in Capital Assets	Restricted					Operating Reserve
		Construction Fund (Reserve for Future Capital Projects)	Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Rate Stabilization Reserve	
Operating Revenue:							
Service Charges		140,355					
Connection Fees							
Miscellaneous		140,355					
Total Operating Revenue							
Operating Expense:							
Salaries and Wages	538,867						
Fringe Benefits	538,867						
Other Expenses							
Depreciation Expense							
Total Operating Expense							
Operating Income	(538,867)	140,355					
Non-Operating Revenue (Expense):							
Interest on Investments							
Accumulated Sick and Vacation							
Refund of Connection Fees							
Interest Expense	(57,297)						
Loss on Disposal of Assets							
Other Non-Operating Revenue (Expenses)							
	(57,297)						
Net Income (Loss) Before Transfers	(596,164)	140,355					
Transfers:							
Capital Expenditures	544,453	(1,574)			(542,879)		
Bond Principal	21,592						
Budget Appropriations			7,014		505,368		
Other Transfers			(6,816)				
Increase/(Decrease) in Net Position	(30,119)	138,781	198		(37,511)		
Net Position - Dec. 1, 2018	19,695,262	2,194,892	3,560	59,160	1,101,469	375,000	10,000
Net Position - November 30, 2019	19,665,143	2,333,673	3,758	59,160	1,063,958	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, 2019

	Designated for Post-Employment Benefits Fund	Unrestricted Designated Compensated Absences	Undesignated	Total
Operating Revenue:				
Service Charges			2,647,805	2,647,805
Connection Fees			140,355	140,355
Miscellaneous			104,997	104,997
Total Operating Revenue			2,752,802	2,893,157
Operating Expense:				
Salaries and Wages			697,327	697,327
Fringe Benefits			279,768	279,768
Other Expenses			742,809	742,809
Depreciation Expense			538,867	538,867
Total Operating Expense			1,719,904	2,258,771
Operating Income			1,032,898	634,386
Non-Operating Revenue (Expense):				
Interest on investments			83,618	83,618
Accumulated Sick and Vacation	(8,699)			(8,699)
Refund of Connection Fees			(240,784)	(240,784)
Interest Expense			(49,937)	(49,937)
Loss on Disposal of Assets			114,369	114,369
Other Non-Operating Revenue (Expenses)	(8,699)		(92,734)	(158,730)
Net Income (Loss) Before Transfers	(8,699)	-	940,164	475,656
Transfers:				
Capital Expenditures				-
Bond Principal			(21,592)	-
Budget Appropriations	48,000		(560,382)	-
Other Transfers			6,816	-
Increase/(Decrease) in Net Position	39,301	-	365,006	475,656
Net Position - Dec. 1, 2018	488,011	50,000	(542,270)	23,435,084
Net Position - November 30, 2019	527,312	50,000	(177,264)	23,910,740

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, 2019

	Developer Escrow Accounts	Construction Aid Accounts	Bond Service Account	Bond Reserve Account	Renewal and Replacement Account
Cash, Cash Equivalents and Investments -					
December 1, 2018	134,243	2,643,058	124,079	103,717	51,432
Cash Receipts:					
Interest on Investments		44,988	2,816	1,943	1,194
Service Charges					
Other Receipts		255,594			
Developer Escrow Receipts	96,080				
Transfers		20,000	120,847		
Total Cash Receipts	96,080	320,582	123,663	1,943	1,194
Cash and Investments Available	230,323	2,963,640	247,742	105,660	52,626
Cash Disbursements:					
Loan Principal Payments			37,228		
Interest Payments			86,440		
Operations					
Capital and Other Expenses		353,470			
Developer Escrow Payments	112,280				
Transfers				3,070	
Total Cash Disbursements	112,280	353,470	123,668	3,070	-
Cash, Cash Equivalents and Investments -					
November 30, 2019	118,043	2,610,170	124,074	102,590	52,626
Analysis of Balance:					
Cash and Cash Equivalents	118,043	-	-	-	-
Investments	-	2,610,170	124,074	102,590	52,626
	118,043	2,610,170	124,074	102,590	52,626
Unrestricted	4,797	-	104,129	590	-
Restricted	113,246	2,610,170	19,945	102,000	52,626
	118,043	2,610,170	124,074	102,590	52,626
Water	59,022	389,989	52,114	42,751	6,552
Sewer	59,021	2,220,181	71,960	59,839	46,074
	118,043	2,610,170	124,074	102,590	52,626

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, 2019

	Rate Stabilization Account	Operating Reserve Account	Post-Employment Benefits Account	Operating / Revenue Accounts	Total
Cash, Cash Equivalents and Investments -					
December 1, 2018	788,526	414,240	909,408	6,364,358	11,533,061
Cash Receipts:					
Interest on Investments	23,673	11,219		81,402	167,235
Service Charges		4,857,081			4,857,081
Other Receipts		88,998			344,592
Developer Escrow Receipts					96,080
Transfers			100,000	4,664,669	4,905,516
Total Cash Receipts	<u>23,673</u>	<u>4,957,298</u>	<u>100,000</u>	<u>4,746,071</u>	<u>10,370,504</u>
Cash and Investments Available	<u>812,199</u>	<u>5,371,538</u>	<u>1,009,408</u>	<u>11,110,429</u>	<u>21,903,565</u>
Cash Disbursements:					
Loan Principal Payments					37,228
Interest Payments					86,440
Operations				3,184,137	3,184,137
Capital and Other Expenses				828,647	1,182,117
Developer Escrow Payments					112,280
Transfers		4,902,446			4,905,516
Total Cash Disbursements	<u>-</u>	<u>4,902,446</u>	<u>-</u>	<u>4,012,784</u>	<u>9,507,718</u>
Cash, Cash Equivalents and Investments -					
November 30, 2019	<u>812,199</u>	<u>469,092</u>	<u>1,009,408</u>	<u>7,097,645</u>	<u>12,395,847</u>
Analysis of Balance:					
Cash and Cash Equivalents	-	469,092	-	66,748	653,883
Investments	812,199	-	1,009,408	7,030,897	11,741,964
	<u>812,199</u>	<u>469,092</u>	<u>1,009,408</u>	<u>7,097,645</u>	<u>12,395,847</u>
Unrestricted	62,199	446,092	1,009,408	5,728,877	7,356,092
Restricted	750,000	20,000	-	1,371,768	5,039,755
	<u>812,199</u>	<u>466,092</u>	<u>1,009,408</u>	<u>7,100,645</u>	<u>12,395,847</u>
Water	406,100	233,046	504,704	1,824,459	3,518,737
Sewer	406,199	233,046	504,704	5,276,086	8,877,110
	<u>812,299</u>	<u>466,092</u>	<u>1,009,408</u>	<u>7,100,545</u>	<u>12,395,847</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, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Revenues:					
Operating Revenues:					
Water User Charges and Fees	2,118,000	2,118,000	2,264,176	146,176	2,161,317
Connection Fees	-	-	65,148	65,148	65,734
Miscellaneous	-	-	34,092	34,092	35,185
Non-operating Revenues:					
Interest on Investments	38,000	38,000	83,617	45,617	59,433
Unrestricted Net Position	105,554	105,554	105,554	-	-
Total Revenues	2,261,554	2,261,554	2,552,587	291,033	2,321,669

**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, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating Expenses:					
Administration:					
Salaries and Wages	222,312	215,812	196,153	19,659	159,769
Fringe Benefits:					
Public Employees' Retirement System	27,500	27,500	26,434	1,066	24,473
Social Security Tax	17,700	17,700	15,344	2,356	14,090
Health Benefits	79,000	79,000	58,676	20,324	61,295
Dental Plan	4,000	4,000	2,819	1,181	2,882
Unemployment and Disability Insurance	165	165	106	59	94
Other Expenses:					
Customer Refunds	600	600	-	600	269
Postage	10,000	10,000	6,541	3,459	5,948
Telephone and Lease Lines	7,200	7,200	7,079	121	5,919
Property and Liability Insurance	61,000	61,000	55,370	5,630	55,781
Administrative Supplies and Services	32,000	32,000	27,186	4,814	21,763
Professional Services	77,000	83,500	78,966	4,534	94,195
General Expenses	10,000	10,000	7,150	2,850	3,480
Property Taxes	1,020	1,020	978	42	965
Education and Training	10,500	10,500	6,772	3,728	6,299
Regulatory Fees	32,500	32,500	26,674	5,826	29,229
Sub-total Administrative	592,497	592,497	516,248	76,249	486,451

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, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Operating Expenses (continued):					
Cost of Providing Services:					
Salaries and Wages	490,225	490,225	467,610	22,615	452,545
Fringe Benefits:					
Public Employees' Retirement System	60,500	60,500	58,836	1,664	54,473
Social Security Tax	38,300	38,300	34,153	4,147	31,361
Health Benefits	176,000	176,000	130,603	45,397	136,430
Dental Plan	8,000	8,000	6,273	1,727	6,415
Unemployment and Disability Insurance	260	260	236	24	209
Other Expenses:					
Reservoirs, Wells and Maint. Supplies	26,000	26,000	20,577	5,423	23,086
Filtration Plant:					
Chemicals	44,200	44,200	42,894	1,306	23,597
Electricity	233,800	233,800	202,784	31,016	214,337
Laboratory	26,000	26,000	13,585	12,415	21,459
Fuel Oil	8,500	8,500	5,410	3,090	4,291
Distribution System:					
Maintenance and Supplies	60,500	60,500	50,738	9,762	31,536
Gasoline	15,000	15,000	9,934	5,066	10,129
Vehicles and Equipment Maint.	11,200	11,200	5,485	5,715	9,365
Sub-total Cost of Providing Services	1,198,485	1,198,485	1,049,118	149,367	1,019,233
Sub-total Operating	1,790,982	1,790,982	1,565,366	225,616	1,505,684

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, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	36,305	36,305	36,162	143	36,857
Loan Principal	15,636	15,636	15,636	-	14,973
Reserves:					
Renewal and Replacement Reserve	365,000	365,000	365,000	-	243,324
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	5,631	5,631	5,631	-	5,194
Sub-total Other Costs	470,572	470,572	470,429	143	348,348
Total Costs Funded by Operating Revenues	2,261,554	2,261,554	2,035,795	225,759	1,854,032
Add: Excess / (Deficit)	-	-	516,792	516,792	467,637
	2,261,554	2,261,554	2,552,587	(291,033)	2,321,669

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, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Excess of Revenues Over Expenses:	-	-	516,792		467,637
Reconciliation of Budgetary Basis to GAAP:					
Depreciation			(463,429)		(500,621)
Pension Adjustment			2,954		(18,360)
OPEB Adjustment			45,759		-
Accumulated Sick and Vacation			(8,700)		(2,335)
Renewal and Replacement Reserve			365,000		243,324
Future Health Benefits			48,000		48,000
Debt Service Coverage			5,631		5,194
Bond Principal			15,636		14,973
Refund of Connection Fees			(112,686)		-
Other Non-Operating Revenues (Expenses)			60,923		(3,407)
Unrestricted Net Position			(105,554)		-
Total Adjustments			(146,466)		(213,232)
Change in Net Position			370,326		254,405

**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 NOVEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Revenues:					
Operating Revenues:					
Sewer User Charges and Fees	2,577,500	2,577,500	2,647,805	70,305	2,424,120
Connection Fees	-	-	140,355	140,355	112,693
Miscellaneous	-	-	104,997	104,997	83,771
Non-operating Revenues:					
Interest on Investments	38,000	38,000	83,618	45,618	59,433
Total Revenues	2,615,500	2,615,500	2,976,775	361,275	2,680,017

**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 NOVEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating Expenses:					
Administration:					
Salaries and Wages	222,312	222,312	196,153	26,159	159,769
Fringe Benefits:					
Public Employees' Retirement System	26,532	26,532	25,581	951	23,764
Social Security Tax	16,884	16,884	14,849	2,035	13,681
Health Benefits	76,881	76,881	55,284	21,597	58,765
Dental Plan	3,618	3,618	2,728	890	2,799
Unemployment and Disability Insurance	128	128	103	25	91
Other Expenses:					
Customer Refunds	400	400	-	400	130
Postage	8,000	8,000	6,541	1,459	4,991
Telephone and Lease Lines	7,200	7,200	7,613	(413)	5,919
Property and Liability Insurance	61,000	61,000	55,370	5,630	55,781
Administrative Supplies and Services	29,000	29,000	26,578	2,422	17,781
Professional Services	70,000	70,000	78,985	(8,985)	68,191
General Expenses	10,000	10,000	6,463	3,537	3,014
Property Taxes	9,800	9,800	8,609	1,191	8,418
Education and Training	13,000	13,000	4,358	8,642	6,698
Regulatory Fees	25,000	25,000	17,344	7,656	22,425
Sub-total Administrative	579,755	579,755	506,559	73,196	452,217

**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 NOVEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Operating Expenses (continued):					
Cost of Providing Services:					
Salaries and Wages	515,054	515,054	501,174	13,880	485,865
Fringe Benefits:					
Public Employees' Retirement System	61,468	61,468	59,689	1,779	55,182
Social Security Tax	39,116	39,116	34,648	4,468	31,770
Health Benefits	178,119	178,119	128,995	49,124	136,460
Dental Plan	8,382	8,382	6,364	2,018	6,498
Unemployment and Disability Insurance	297	297	239	58	212
Other Expenses:					
Pollution Control Plant:					
Maintenance and Supplies	47,500	47,500	48,894	(1,394)	36,924
Chemicals	155,000	155,000	145,649	9,351	112,362
Electricity	148,500	148,500	138,993	9,507	128,946
Laboratory	25,000	25,000	20,956	4,044	19,727
Fuel Oil	15,000	15,000	12,586	2,414	5,982
Sludge Disposal	166,000	166,000	140,969	25,031	141,004
Collection System:					
Maintenance and Supplies	18,000	18,000	6,062	11,938	8,782
Gasoline	16,000	16,000	9,261	6,739	10,129
Vehicles and Equipment Maint.	10,200	10,200	7,578	2,622	8,737
Sub-total Cost of Providing Services	1,403,636	1,403,636	1,262,057	141,579	1,188,580
Sub-total Operating	1,983,391	1,983,391	1,768,616	214,775	1,640,797

**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 NOVEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	50,135	50,135	49,937	198	50,899
Loan Principal	21,592	21,592	21,592	-	20,677
Reserves:					
Renewal and Replacement Reserve	505,368	505,368	505,368	-	654,872
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	7,014	7,014	7,014	-	7,173
Sub-total Other Costs	632,109	632,109	631,911	198	781,621
Total Costs Funded by Operating Revenues	2,615,500	2,615,500	2,400,527	214,973	2,422,418
Add: Excess / (Deficit)	-	-	576,248	576,248	257,599
	2,615,500	2,615,500	2,976,775	(361,275)	2,680,017

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 NOVEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Excess of Revenues Over Expenses:	-	-	576,248		257,599
Reconciliation of Budgetary Basis to GAAP:					
Depreciation			(538,867)		(612,526)
Pension Adjustment			2,954		(18,360)
OPEB Adjustment			45,758		-
Accumulated Sick and Vacation			(8,699)		(2,335)
Renewal and Replacement Reserve			505,368		654,872
Future Health Benefits			48,000		48,000
Debt Service Coverage			7,014		7,173
Bond Principal			21,592		20,677
Refund of Connection Fees			(240,784)		-
Other Non-Operating Revenues (Expenses)			114,369		-
Loss on Disposal of Assets			(57,297)		-
Total Adjustments			(100,592)		97,501
Change in Net Position			475,656		355,100

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, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Paid or Charged	Excess / (Deficit)
Financing Sources:				
Water Fund:				
Renewal and Replacement Reserve	365,000	365,000	276,158	88,842
Other Sources	-	-	13,885	(13,885)
Sewer Fund:				
Renewal and Replacement Reserve	1,100,000	1,100,000	542,879	557,121
Other Sources	-	-	1,574	(1,574)
	<u>1,465,000</u>	<u>1,465,000</u>	<u>834,496</u>	<u>630,504</u>
Capital Outlays:				
Water Fund:				
Equipment Replacement (1)	100,000	100,000	-	100,000
Water Meter Repl/I/TRON Upgrade (1)	60,000	60,000	64,940	(4,940)
Water Main/Valve/Road Projects (1)	205,000	205,000	211,218	(6,218)
Water Main Replacement (3)	-	-	13,885	(13,885)
Sewer Fund:				
Equipment Replacement (1)	200,000	200,000	146,552	53,448
Equipment Replacement (3)	-	-	1,574	(1,574)
Nit. Tank Diffuser Repairs (1)	450,000	450,000	396,327	53,673
Disinfection System Replacement (1)	450,000	450,000	-	450,000
	<u>1,465,000</u>	<u>1,465,000</u>	<u>834,496</u>	<u>630,504</u>
Total Capital Outlays	<u>1,465,000</u>	<u>1,465,000</u>	<u>834,496</u>	<u>630,504</u>
Total Costs Funded by Capital Revenue	<u>1,465,000</u>	<u>1,465,000</u>	<u>834,496</u>	<u>630,504</u>
Add: Excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,465,000</u>	<u>1,465,000</u>	<u>834,496</u>	<u>630,504</u>

- (1) Funded through renewal and replacement reserve.
- (2) Funded through unrestricted net position.
- (3) 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 Nov. 30, 2019	
			November 30, 2019 Date	November 30, 2019 Amount				
Diamond Hill Project USDA Loan Financing	5/1/2007	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						
						833,696	15,636	818,060
						<u>833,696</u>	<u>15,636</u>	<u>818,060</u>
Current Portion						15,636		16,327
Noncurrent Portion						818,060		801,733
						<u>833,696</u>		<u>818,060</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		Issued	Redeemed	Balance Nov. 30, 2019
			Date	Amount			
Diamond Hill Project	5/1/2007						
USDA Loan Financing		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			
					21,592		1,129,701
						1,151,293	
							1,129,701
Current Portion						21,592	22,547
Noncurrent Portion						1,129,701	1,107,154
						1,151,293	1,129,701

SCHEDULE 9

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at November 31, 2019:

<u>Name</u>	<u>Office</u>
William Kuster, Jr.	Chairperson
Gerald DiMaio, Jr.	Vice Chairperson
John DiMaio, Jr.	Board Member
William Harper	Board Member
Leonard Kunz	Board Member
Kathleen Corcoran	Executive Director
Frank Biank	Deputy Executive Director
Deborah Palma	Office Manager
Peter Tynan	Sewer Utility Superintendent
Bud Volkert	Water Utility Superintendent

All members and employees are covered by insurance policies provided through the New Jersey Utility Authorities Joint Insurance Fund.



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

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(973)-835-7900

NEWTON OFFICE
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NEWTON, NEW JERSEY 07860
(973)-835-7900

**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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2020.

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.

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



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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Newton, New Jersey

June 29, 2020

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, 2019

NONE

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)

A review was performed on all prior year recommendations and corrective action was taken on all items, except those noted with an asterisk "*".

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,

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants