

**THE TOWN OF HACKETTSTOWN
MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE
TOWN OF HACKETTSTOWN)
REPORT OF AUDIT
FOR THE YEAR ENDED
NOVEMBER 30, 2020**

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, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Hackettstown Municipal Utilities Authority as of November 30, 2020 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
Page 3.

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 February 3, 2022 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,

Wielkocz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

February 3, 2022



Required Supplementary Information - Part I

Management's 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, 2020 and 2019. 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 \$49,772,065 (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 \$48,070,816.
- Total combined net position are comprised of the following:
 - (1) Net investment in capital assets of \$44,676,479 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 \$5,446,320 restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(350,734) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total combined liabilities of the Authority increased by \$1,140,302 to \$9,741,233 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 \$49,772,065. This is a \$1,701,249 increase over last year's net position of \$48,070,816. 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 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current Assets:				
Unrestricted:				
Cash and Investments	8,310,098	7,355,992	954,106	12.97
Change Fund	100	100	0	0.00
Accounts Receivable	185,264	132,898	52,366	39.40
Prepaid Expenses	45,085	47,772	(2,687)	(5.62)
Restricted:				
Cash and Investments	<u>5,533,127</u>	<u>5,039,755</u>	<u>493,372</u>	9.79
Total Current Assets	<u>14,073,674</u>	<u>12,576,517</u>	<u>1,497,157</u>	11.90
Noncurrent Assets:				
Capital Assets				
Capital Assets Not Being Depreciated:				
Land	747,800	747,800	0	0.00
Capital Assets	74,999,575	74,791,560	208,015	0.28
Less: Accumulated Depreciation	(31,741,476)	(30,792,019)	(949,457)	3.08
Construction in Progress	<u>2,579,467</u>	<u>2,099,526</u>	<u>479,941</u>	22.86
				(0.56)
Total Capital Assets	<u>46,585,366</u>	<u>46,846,867</u>	<u>(261,501)</u>	
Total Assets	<u>60,659,040</u>	<u>59,423,384</u>	<u>1,235,656</u>	2.08
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB Deferred Outflows	<u>2,092,371</u>	<u>832,149</u>	<u>1,260,222</u>	151.44

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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Net Position (Continued)

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

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
LIABILITIES				
Current Liabilities:				
Unrestricted:				
Accounts Payable	106,808	92,979	13,829	14.87
Accounts Payable - Pension and OPEB	<u>361,600</u>	<u>301,400</u>	<u>60,200</u>	19.97
	<u>468,408</u>	<u>394,379</u>	<u>74,029</u>	18.77
Restricted:				
Accrued Interest on Debt	13,919	14,133	(214)	(1.51)
Escrow Deposits Payable	72,888	113,246	(40,358)	(35.64)
Loans Payable - Current Portion	<u>40,593</u>	<u>38,874</u>	<u>1,719</u>	4.42
	<u>127,400</u>	<u>166,253</u>	<u>(38,853)</u>	(23.37)
Noncurrent Liabilities:				
Compensated Absences Payable	324,491	340,263	(15,772)	(4.64)
Net Pension Liability	2,818,997	3,126,366	(307,369)	(9.83)
Net OPEB Liability	4,133,643	2,664,783	1,468,860	55.12
Loans Payable	<u>1,868,294</u>	<u>1,908,887</u>	<u>(40,593)</u>	(2.13)
Total Noncurrent Liabilities	<u>9,145,425</u>	<u>8,040,299</u>	<u>1,105,126</u>	13.74
Total Liabilities	<u>9,741,233</u>	<u>8,600,931</u>	<u>1,140,302</u>	13.26
DEFERRED INFLOWS OF RESOURCES				
Pension and OPEB Deferred Inflows	<u>3,238,113</u>	<u>3,583,786</u>	<u>(345,673)</u>	(9.65)
NET POSITION				
Net Investment in Capital Assets	44,676,479	44,899,106	(222,627)	(0.50)
Restricted	5,446,320	4,912,376	533,944	10.87
Unrestricted	<u>(350,734)</u>	<u>(1,740,666)</u>	<u>1,389,932</u>	(79.85)
Total Net Position	<u>49,772,065</u>	<u>48,070,816</u>	<u>1,701,249</u>	3.54

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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 \$1,701,249.

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

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue:				
Service Charges	4,957,149	4,911,981	45,168	0.92
Connection Fees	382,877	205,503	177,374	86.31
Miscellaneous	<u>117,485</u>	<u>139,089</u>	<u>(21,604)</u>	100.00
Total Operating Revenue	<u>5,457,511</u>	<u>5,256,573</u>	<u>200,938</u>	3.82
Operating Expense:				
Salaries and Wages	1,463,026	1,361,090	101,936	7.49
Fringe Benefits	268,243	564,535	(296,292)	(52.48)
Other Expenses	1,192,467	1,310,932	(118,465)	(9.04)
Depreciation Expense	<u>950,957</u>	<u>1,002,296</u>	<u>(51,339)</u>	(5.12)
Total Operating Expense	<u>3,874,693</u>	<u>4,238,853</u>	<u>(364,160)</u>	(8.59)
Operating Income	<u>1,582,818</u>	<u>1,017,720</u>	<u>513,718</u>	50.48
Non-Operating Revenue (Expense):				
Interest on Investments	190,104	167,235	22,869	13.67
Accumulated Sick and Vacation	15,772	(17,399)	33,171	(190.65)
Interest Expense	(84,580)	(86,099)	1,519	(1.76)
Other Non-Operating Expenses	<u>(2,865)</u>	<u>(235,475)</u>	<u>232,610</u>	(98.78)
	<u>118,431</u>	<u>(171,738)</u>	<u>290,169</u>	(168.96)
Increase/(Decrease) in Net Position	1,701,249	845,982	855,267	101.10
Net Position - Dec. 1	<u>48,070,816</u>	<u>47,224,834</u>	<u>24,522</u>	0.05
Net Position - Nov. 30	<u>49,772,065</u>	<u>48,070,816</u>	<u>1,701,249</u>	3.54

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

Budgetary Highlights

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

The following tables provides a FY 2020 budget comparison for the water and sewer funds:

Budget vs. Actual
FY 2020 - Water Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,147,000	2,498,916	351,916
Non-Operating	<u>40,000</u>	<u>95,052</u>	<u>55,052</u>
	<u>2,187,000</u>	<u>2,593,968</u>	<u>406,968</u>
Expenses:			
Operating	1,817,132	1,531,521	285,611
Non-Operating	<u>369,868</u>	<u>369,778</u>	<u>90</u>
	<u>2,187,000</u>	<u>1,901,299</u>	<u>285,701</u>
Income Before Depreciation	<u>0</u>	<u>692,669</u>	<u>692,669</u>

Budget vs. Actual
FY 2020 - Sewer Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,704,000	2,958,595	254,595
Non-Operating	<u>40,000</u>	<u>95,052</u>	<u>55,052</u>
	<u>2,744,000</u>	<u>3,053,647</u>	<u>309,647</u>
Expenses:			
Operating	2,076,281	1,776,419	299,862
Non-Operating	<u>667,719</u>	<u>667,595</u>	<u>124</u>
	<u>2,744,000</u>	<u>2,444,014</u>	<u>299,986</u>
Income Before Depreciation	<u>0</u>	<u>609,633</u>	<u>609,633</u>

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the Authority had invested \$75,747,375 in combined property, plant and equipment. The Authority's combined net property, plant and equipment at fiscal year end was \$46,585,366. This is a decrease of \$261,501 over last year's combined net property, plant and equipment of \$46,846,867. A summary of the Authority's capital assets is presented in the following table:

Capital Assets - Water and Sewer Funds

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>
Land	747,800	747,800	0
Buildings/Force Mains/Interceptors, Vehicles and Equipment	<u>74,999,575</u>	<u>74,791,560</u>	<u>208,015</u>
Total Property, Plant and Equipment	75,747,375	75,539,360	208,015
Less: Accumulated Depreciation	<u>(31,741,476)</u>	<u>(30,792,019)</u>	<u>(949,457)</u>
Net Property, Plant and Equipment	44,005,899	44,747,341	(741,442)
Construction in Progress	<u>2,579,467</u>	<u>2,099,526</u>	<u>479,941</u>
Total Capital Assets	<u>46,585,366</u>	<u>46,846,867</u>	<u>(261,501)</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	1,805,000
Well/Pump Station Improvements	1,160,000
Water Main/Soil Disposal/Pavir	2,830,000
New 1.0 MG Tank	<u>3,700,000</u>
Total	<u>9,495,000</u>
Sewer:	
Equip. Replacement/Improvements	3,985,000
Sewer Jet/Camera/Vehicles/Itron	880,000
Disinfection System Repl.	1,100,000
Nat. Gas Conversion/Generator	<u>2,185,000</u>
Total	<u>8,150,000</u>
TOTAL	<u>17,645,000</u>

Debt Administration

As of November 30, 2020, the Authority had outstanding United States Department of Agriculture Rural Development Loans in the amount of \$1,908,887. 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, 2020

EXHIBIT A
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<u>ASSETS</u>	Water Fund	Sewer Fund	Total
Current Assets:			
<u>Unrestricted:</u>			
Cash and Cash equivalents	\$ 1,088,635	\$ 1,169,810	\$ 2,258,445
Investments	1,841,411	4,210,242	6,051,653
Change Fund	50	50	100
Accounts Receivable	94,261	91,003	185,264
Prepaid Expenses	40,421	4,664	45,085
	<u>3,064,778</u>	<u>5,475,769</u>	<u>8,540,547</u>
 <u>Restricted:</u>			
Escrow Fund:			
Cash and Cash equivalents	36,444	36,444	72,888
Construction Aid Fund:			
Investments	330,642	2,547,147	2,877,789
Bond Service Fund:			
Investments	8,657	11,955	20,612
Bond Reserve Account:			
Investments	42,840	59,160	102,000
Renewal and Replacement Account:			
Investments	311,445	1,378,393	1,689,838
Rate Stabilization Fund:			
Investments	375,000	375,000	750,000
Operating Reserve Fund:			
Cash and Cash equivalents	10,000	10,000	20,000
	<u>1,115,028</u>	<u>4,418,099</u>	<u>5,533,127</u>
 Non-Current Assets:			
<u>Capital Assets:</u>			
Land	350,000	397,800	747,800
Capital Assets	37,215,702	37,783,873	74,999,575
Less: Accumulated Depreciation	(13,192,245)	(18,549,231)	(31,741,476)
Construction in Progress	1,674,010	905,457	2,579,467
	<u>26,047,467</u>	<u>20,537,899</u>	<u>46,585,366</u>
 TOTAL ASSETS	 <u>\$ 30,227,273</u>	 <u>\$ 30,431,767</u>	 <u>\$ 60,659,040</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)
STATEMENT OF NET POSITION
NOVEMBER 30, 2020

EXHIBIT A
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	Water Fund	Sewer Fund	Total
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows:			
Deferred Pension-Related Outflows	260,629	260,629	521,258
Deferred OPEB-Related Outflows	785,556	785,557	1,571,113
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,046,185	1,046,186	2,092,371
<u>LIABILITIES</u>			
Current Liabilities:			
<u>Payable from Unrestricted Assets:</u>			
Accounts Payable and Accrued Liabilities	\$ 48,110	\$ 58,698	\$ 106,808
Accounts Payable - Pension-Related	105,900	105,900	211,800
Accounts Payable - OPEB-Related	74,900	74,900	149,800
Total Payable from Unrestricted Assets	228,910	239,498	468,408
<u>Payable from Restricted Assets:</u>			
Accrued Interest Payable	5,846	8,073	13,919
Escrow Deposits Payable	36,444	36,444	72,888
Loans Payable - Current Portion	17,049	23,544	40,593
Total Payable from Restricted Assets	59,339	68,061	127,400
Non-Current Liabilities:			
Compensated Absences Payable	162,246	162,245	324,491
Net Pension Obligation	1,409,499	1,409,498	2,818,997
Net OPEB Obligation	2,066,821	2,066,822	4,133,643
Loans Payable - Long-Term Portion	784,684	1,083,610	1,868,294
Total Non-Current Liabilities	4,423,250	4,722,175	9,145,425
TOTAL LIABILITIES	4,711,499	5,029,734	9,741,233

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, 2020**

EXHIBIT A
Page 3 of 3

	Water Fund	Sewer Fund	Total
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows:			
Deferred Pension-Related Inflows	607,934	607,934	1,215,868
Deferred OPEB-Related Inflows	1,011,122	1,011,123	2,022,245
TOTAL DEFERRED INFLOWS OF RESOURCES	1,619,056	1,619,057	3,238,113
<u>NET POSITION</u>			
Net Position:			
Net Investment in Capital Assets	25,245,734	19,430,745	44,676,479
Restricted:			
Construction Aid Fund	330,642	2,547,147	2,877,789
Current Debt Service	2,811	3,882	6,693
Future Debt Service	42,840	59,160	102,000
Renewal and Replacement	311,445	1,378,393	1,689,838
Rate Stabilization	375,000	375,000	750,000
Operating	10,000	10,000	20,000
Unrestricted:			
Designated	633,197	633,198	1,266,395
Undesignated	(2,008,766)	391,637	(1,617,129)
TOTAL NET POSITION	\$ 24,942,903	\$ 24,829,162	\$ 49,772,065

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, 2020

EXHIBIT B

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenue:			
Service Charges	\$ 2,311,071	\$ 2,646,078	\$ 4,957,149
Connection Fees	160,653	222,224	382,877
Miscellaneous	27,192	90,293	117,485
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	2,498,916	2,958,595	5,457,511
	<hr/>	<hr/>	<hr/>
Operating Expenses:			
Salaries and Wages	705,233	757,793	1,463,026
Fringe Benefits	135,372	132,871	268,243
Other Expenses	498,814	693,653	1,192,467
Depreciation Expense	441,220	509,737	950,957
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,780,639	2,094,054	3,874,693
	<hr/>	<hr/>	<hr/>
Operating Income	718,277	864,541	1,582,818
	<hr/>	<hr/>	<hr/>
Non-Operating Revenue (Expenses):			
Interest on Investments	95,052	95,052	190,104
Accumulated Sick and Vacation	7,886	7,886	15,772
Interest Expense	(35,523)	(49,057)	(84,580)
Other Non-Operating Revenue (Expenses)	(2,865)		(2,865)
	<hr/>	<hr/>	<hr/>
Non-Operating Income (Loss)	64,550	53,881	118,431
	<hr/>	<hr/>	<hr/>
Change In Net Position	782,827	918,422	1,701,249
	<hr/>	<hr/>	<hr/>
Net Position - December 1, 2019	24,160,076	\$ 23,910,740	48,070,816
	<hr/>	<hr/>	<hr/>
Net Position - November 30, 2020	\$ 24,942,903	\$ 24,829,162	\$ 49,772,065
	<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, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received from Service Charges	\$ 2,273,636	2,631,147	\$ 4,904,783
Other Receipts	187,845	312,517	500,362
Cash Paid to Vendors and Employees	<u>(1,501,395)</u>	<u>(1,793,105)</u>	<u>(3,294,500)</u>
Net Cash Provided by Operating Activities	<u>960,086</u>	<u>1,150,559</u>	<u>2,110,645</u>
Cash Flow from Investing Activities:			
Interest Earned on Investments	95,052	95,052	190,104
Net Transfers (To) From Investments	<u>212,725</u>	<u>(2,800)</u>	<u>209,925</u>
Net Cash Provided by (used in) Investing Activities	<u>307,777</u>	<u>92,252</u>	<u>400,029</u>
Cash Flow from Financing Activities:			
Principal Payment on Loan	(16,327)	(22,547)	(38,874)
Interest Paid on Loan	(35,613)	(49,181)	(84,794)
Capital Expenditures Paid	<u>(436,664)</u>	<u>(252,792)</u>	<u>(689,456)</u>
Net Cash Used in Financing Activities	<u>(488,604)</u>	<u>(324,520)</u>	<u>(813,124)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	779,259	918,291	1,697,550
Cash, Cash Equivalents and Investments - December 1, 2019	<u>355,820</u>	<u>\$ 297,963</u>	<u>653,783</u>
Cash, Cash Equivalents and Investments - November 30, 2020	<u>\$ 1,135,079</u>	<u>\$ 1,216,254</u>	<u>\$ 2,351,333</u>
Analysis of Balance:			
Unrestricted	\$ 1,088,635	\$ 1,169,810	\$ 2,258,445
Restricted	<u>46,444</u>	<u>46,444</u>	<u>92,888</u>
	<u>\$ 1,135,079</u>	<u>\$ 1,216,254</u>	<u>\$ 2,351,333</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, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING INCOME (LOSS)	\$ 718,277	\$ 864,541	\$ 1,582,818
Adjustments to Reconcile Change in Net Assets to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	441,220	509,737	950,957
Decrease (Increase) in Accounts Receivable	(37,435)	(14,931)	(52,366)
Decrease (Increase) in Prepaid Expenses	2,765	(78)	2,687
Increase (Decrease) in Accounts Payable	(144,562)	(188,531)	(333,093)
Increase (Decrease) in Escrow Deposits	(20,179)	(20,179)	(40,358)
Total Adjustments	<u>241,809</u>	<u>286,018</u>	<u>527,827</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 960,086</u>	<u>\$ 1,150,559</u>	<u>\$ 2,110,645</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, 2020

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, 2020
(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, 2020
(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, 2020
(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, 2020
(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, 2020
(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, 2020
(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. 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, 2020
(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

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*; 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

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

M. Recent Accounting Pronouncements, (continued)

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.

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

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

M. Recent Accounting Pronouncements, (continued)

Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In October 2021, the Government Accounting Standards Board issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021, though earlier application is encouraged. The Authority has reviewed this Statement and does not believe it will impact future financial reporting.

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, 2020, cash and cash equivalents of the Town of Hackettstown Municipal Utilities Authority consisted of the following:

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Cash on Hand	\$100	\$100
Checking and Savings Accounts	2,351,333	2,351,333
	<u>\$2,351,433</u>	<u>\$2,351,433</u>
	<u>Analysis</u>	
Restricted Accounts	\$92,888	
Unrestricted Accounts	<u>2,258,545</u>	
	<u>\$2,351,433</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, 2020, \$-0- of the Authority's bank balance of \$2,312,121 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

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.

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

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(CONTINUED)

NOTE 4. INVESTMENTS, (continued)

- (8) Agreements for the repurchase of fully collateralized securities, if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

The Town of Hackettstown Municipal Utilities Authority had the following investments valued at cost, which approximates fair value, at November 30, 2020:

<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	\$2,887,912	\$2,863,131	\$2,863,131		
Government and Other Bonds	1,148,213	1,123,432	1,123,432		
Money Market Funds, Misc.	<u>7,493,970</u>	<u>7,505,329</u>	<u>7,505,329</u>		
	<u>\$11,530,095</u>	<u>\$11,491,892</u>	<u>\$11,491,892</u>	<u>\$0</u>	<u>\$0</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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Reference is made to Note 2 for information related to property. A summary of property, plant and equipment as of November 30, 2020 is as follows:

	<u>Balance</u> <u>Nov. 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2020</u>
Capital Assets, Not Being Depreciated:				
Land	\$747,800	\$	\$	\$747,800
Construction in Progress	<u>2,099,526</u>	<u>479,941</u>	<u> </u>	<u>2,579,467</u>
	<u>2,847,326</u>	<u>479,941</u>	<u>0</u>	<u>3,327,267</u>
Capital Assets, Being Depreciated:				
Infrastructure	45,670,570	61,284		45,731,854
Building and Improvements	20,436,209			20,436,209
Vehicles	937,340	32,622		969,962
Machinery and Equipment	7,747,441	115,609	1,500	7,861,550
Less: Accumulated Depreciation	<u>(30,792,019)</u>	<u>(950,957)</u>	<u>(1,500)</u>	<u>(31,741,476)</u>
	<u>43,999,541</u>	<u>(741,442)</u>	<u>0</u>	<u>43,258,099</u>
Capital Assets	<u>\$46,846,867</u>	<u>(\$261,501)</u>	<u>\$0</u>	<u>\$46,585,366</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, 2020, the Authority had the following bonds outstanding:

	<u>Balance</u> <u>Nov. 30, 2019</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>Nov. 30, 2020</u>
USDA Rural Development Loan:				
Water Portion	\$818,060	\$	\$16,327	\$801,733
Sewer Portion	<u>1,129,701</u>	<u> </u>	<u>22,547</u>	<u>1,107,154</u>
	<u>\$1,947,761</u>	<u>\$</u>	<u>\$38,874</u>	<u>\$1,908,887</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

NOTE 6. LOAN PAYABLE, (continued)

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

Year Ending Nov. 30,	<u>Water</u>		<u>Sewer</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>49,871</u>	<u>1,091</u>	<u>68,870</u>	<u>1,507</u>	<u>118,741</u>	<u>2,598</u>
	<u>\$801,733</u>	<u>\$547,746</u>	<u>\$1,107,154</u>	<u>\$756,407</u>	<u>\$1,908,887</u>	<u>\$1,304,153</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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, 2020
(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 Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
11/30/20	\$169,257	100%
11/30/19	170,540	100%
11/30/18	157,892	100%

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

Public Employees Retirement System (PERS)

At November 30, 2020, the Authority reported a liability of \$2,818,997 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Authority's proportion was 0.0172866288 percent, which was a decrease of 0.000064256 percent from its proportion measured as of June 30, 2019.

For the year ended November 30, 2020, the Authority recognized pension expense of \$84,450. At November 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$91,451	\$1,180,341
Net difference between projected and actual earnings on pension plan investments	147,685	35,527
Changes in proportion and differences between Authority contributions and proportionate share of contributions	70,322	
Other deferred pension adjustments		
Authority contributions subsequent to the measurement date	<u>211,800</u>	
Total	<u>\$521,258</u>	<u>\$1,215,868</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 \$211,800 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending November 30, 2020, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net pension liability in the year ended November 30, 2020. 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:	
2021	\$ (353,733)
2022	(322,496)
2023	(184,299)
2024	(74,527)
2025	(16,119)

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 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at November 30, 2020 is as follows:

	<u>Nov. 30, 2020</u>
Collective deferred outflows of resources	\$2,347,583,337
Collective deferred inflows of resources	7,849,949,467
Collective net pension liability	16,435,616,426
Authority's Proportion	0.0172866288%

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. 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, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2019. 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-2020.

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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)

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, 2020) 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine 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, 2020, 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, 2020		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Authority's proportionate share of the pension liability	\$3,576,552	\$2,841,164	\$2,217,168

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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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
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Total OPEB Liability

At November 30, 2020, the Authority had a liability of \$4,133,643 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2020 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 a in the plan. At June 30, 2020 the Authority's proportion was 0.023033 percent.

For the year ended November 30, 2020, the Authority recognized pension expense (benefit) of \$61,246. At November 30, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$618,263	\$919,258
Net difference between projected and actual earnings on pension plan investments	111,502	769,762
Contributions subsequent to measurement date	149,800	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	691,548	333,225
Deferred OPEB adjustment	<u> </u>	<u> </u>
 Total	 <u>\$1,571,113</u>	 <u>\$2,022,245</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 OBEB expense as follows:

Year ended June 30:	
2021	\$(222,204)
2022	(222,405)
2023	(222,731)
2024	(223,029)
2025	(152,077)
Thereafter	83,191

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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 7.87, 8.05 and 8.14 years for 2020, 2019 and 2018 amounts, respectively.

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2019. 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-2020
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020

* 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
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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, 2020 and 2019 was 2.21% and 3.50%, 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, 2020		
	1% Decrease	At Current Discount Rate	1% Increase
Authority's proportionate share of Net OPEB liability	<u>1.21%</u> \$4,886,840	<u>2.21%</u> \$4,133,643	<u>3.21%</u> \$3,537,420

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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:

	1%	June 30, 2020 Healthcare Cost	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$3,420,594	\$4,133,643	\$5,067,391

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, 2020, compensated absences accrued for Authority employees was \$324,491.

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
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2020
(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, 2020, the Authority's construction fund was the following:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Construction Aid Fund	<u>\$330,642</u>	<u>\$2,547,147</u>	<u>\$2,877,789</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, 2020, the Authority's current debt service fund was comprised of the following:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash and Investments	\$8,657	\$11,955	\$20,612
Less: Accrued Interest Payable	<u>(5,846)</u>	<u>(8,073)</u>	<u>(13,919)</u>
Current Debt Service Reserve	<u>\$2,811</u>	<u>\$3,882</u>	<u>\$6,693</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, 2020, 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, 2020
(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, 2020, the Authority restricted the following funds for renewal and replacement:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Renewal and Replacement	<u>\$311,445</u>	<u>\$1,378,393</u>	<u>\$1,689,838</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, 2020, 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, 2020, 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, 2020
(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	\$583,197	\$583,198	\$1,166,395
Designated for Compensated Absences	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
	<u>\$633,197</u>	<u>\$633,198</u>	<u>\$1,266,395</u>

At November 30, 2020, the Authority reported a total amount of \$1,266,395 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, 2020:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pension Related	\$(1,756,804)	\$(1,756,803)	(\$3,513,607)
OPEB Pension Related	(2,292,387)	(2,292,388)	(4,584,775)
Available for Use in Future Budgets	<u>2,040,425</u>	<u>4,440,828</u>	<u>6,481,253</u>
	<u>(\$2,008,766)</u>	<u>\$391,637</u>	<u>(\$1,617,129)</u>

NOTE 14. OTHER MATTERS

The Authority has identified several risks as a result of the COVID-19 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.

NOTE 15. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through February 3, 2022, 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 Seven Fiscal Years**

	Measurement Date Ending June 30,						
	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.0172866288 %	0.0173508848 %	0.0170850451 %	0.0168827880 %	0.0171188029 %	0.016532% %	0.017193% %
Authority's Proportionate Share of the Net Pension Liability	\$2,818,997	\$3,126,366	\$3,363,960	\$3,930,043	\$5,070,098	\$3,711,263	\$3,219,054
Authority's Covered-Employee Payroll	\$1,375,078	\$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	205.01%	237.54%	272.55%	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 Seven Fiscal Years**

	Fiscal Year ended November 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractual Required Contribution	\$169,258	\$170,540	\$157,892	\$156,401	\$152,081	\$142,137	\$141,739
Contributions in Relation to the Contractually Required Contribution	(169,258)	(170,540)	(157,892)	(156,401)	(152,081)	(142,137)	(141,739)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$1,375,078	\$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	12.31%	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 Four Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:				
Service Cost	\$139,568	\$131,129	\$181,730	\$213,075
Interest	114,576	125,130	154,933	129,788
Changes of Assumptions	833,221	(597,555)	(1,204,581)	(517,984)
Benefit Payments	(107,384)	(92,494)	(85,492)	(83,565)
Contributions - Members	8,648	8,508	10,947	10,726
Change in Allocation	<u>464,465</u>	<u>(96,684)</u>	<u>53,842</u>	<u>459,881</u>
Net Change in Total OPEB Liability	<u>1,453,094</u>	<u>(521,966)</u>	<u>(888,621)</u>	<u>(707,841)</u>
Total OPEB Liability - Beginning	<u>2,718,522</u>	<u>3,240,488</u>	<u>4,129,109</u>	<u>4,836,950</u>
Total OPEB Liability - Ending	<u>\$4,171,616</u>	<u>\$2,718,522</u>	<u>\$3,240,488</u>	<u>\$4,129,109</u>
Plan Fiduciary Net Position:				
Contributions - Employer	67,350	68,147	85,406	70,424
Contributions - Non-Employer Contribution Entities	8,064	8,627	10,858	10,621
Contributions - Members	8,648	8,508	10,947	10,726
Net Investment Income	658	950	471	158
Benefit Payments	(107,384)	(92,494)	(85,492)	(83,565)
Administrative Expense	(2,283)	(1,865)	(1,663)	(1,780)
Change in Allocation	<u>9,181</u>	<u>(1,902)</u>	<u>6,556</u>	<u>(3,163)</u>
Net Change in Plan Fiduciary Net Position	<u>(15,766)</u>	<u>(10,029)</u>	<u>27,083</u>	<u>3,421</u>
Plan Fiduciary Net Position - Beginning	<u>53,739</u>	<u>63,768</u>	<u>36,685</u>	<u>33,264</u>
Plan Fiduciary Net Position - Ending	<u>37,973</u>	<u>53,739</u>	<u>63,768</u>	<u>36,685</u>
Authority's Net OPEB Liability	<u>\$4,133,643</u>	<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, 2020**

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 6.28% to 7.00%. 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 Information

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, 2020

	Net Investment in Capital Assets	Construction Fund (Reserve for Future Capital Projects)	Restricted					Operating Reserve
			Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Stabilization Reserve	Rate	
Operating Revenue:								
Service Charges		160,653						
Connection Fees								
Miscellaneous		160,653						
Total Operating Revenue								
Operating Expense:								
Salaries and Wages	441,220							
Fringe Benefits								
Other Expenses	441,220							
Depreciation Expense								
Total Operating Expense								
Operating Income	(441,220)	160,653						
Non-Operating Revenue (Expense):								
Interest on Investments								
Accumulated Sick and Vacation								
Interest Expense								
Other Non-Operating Revenue (Expenses)								
Net Income (Loss) Before Transfers	(441,220)	160,653						
Transfers:								
Capital Expenditures	436,664	(220,000)			(198,232)			
Bond Principal	16,327				262,734			
Budget Appropriations			7,194					
Other Transfers			(6,438)					
Increase/(Decrease) in Net Position	11,771	(59,347)	756		64,502			
Net Position - Dec. 1, 2019	25,233,963	389,989	2,055	42,840	246,943	375,000	10,000	
Net Position - November 30, 2020	25,245,734	330,642	2,811	42,840	311,445	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, 2020

	Designated for Post-Employment Benefits Fund	Unrestricted Designated Compensated Absences	Undesignated	Total
Operating Revenue:				
Service Charges		2,311,071		2,311,071
Connection Fees			160,653	160,653
Miscellaneous		27,192		27,192
Total Operating Revenue		2,338,263		2,498,916
Operating Expense:				
Salaries and Wages		705,233		705,233
Fringe Benefits		135,372		135,372
Other Expenses		498,814		498,814
Depreciation Expense			441,220	441,220
Total Operating Expense		1,339,419		1,780,639
Operating Income		998,844		718,277
Non-Operating Revenue (Expense):				
Interest on Investments	95,052			95,052
Accumulated Sick and Vacation	7,886			7,886
Interest Expense		(35,523)		(35,523)
Other Non-Operating Revenue (Expenses)		(2,865)		(2,865)
	7,886		56,664	64,550
Net Income (Loss) Before Transfers	7,886	-	1,055,508	782,827
Transfers:				
Capital Expenditures		(18,432)		-
Bond Principal		(16,327)		-
Budget Appropriations	48,000	(317,928)		-
Other Transfers		6,438		-
Increase/(Decrease) in Net Position	55,886	-	709,259	782,827
Net Position - Dec. 1, 2019	527,311	50,000	(2,718,025)	24,160,076
Net Position - November 30, 2020	583,197	50,000	(2,008,766)	24,942,903

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, 2020

	Net Investment in Capital Assets	Construction Fund (Reserve for Future Capital Projects)	Restricted				Operating Reserve
			Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Rate Stabilization Reserve	
Operating Revenue:							
Service Charges		222,224					
Connection Fees							
Miscellaneous		222,224					
Total Operating Revenue							
Operating Expense:							
Salaries and Wages	509,737						
Fringe Benefits	509,737						
Other Expenses							
Depreciation Expense							
Total Operating Expense							
Operating Income	(509,737)	222,224					
Non-Operating Revenue (Expense):							
Interest on Investments							
Accumulated Sick and Vacation							
Interest Expense							
Other Non-Operating Revenue (Expenses)							
Net Income (Loss) Before Transfers	(509,737)	222,224					
Transfers:							
Capital Expenditures		(8,750)			(224,384)		
Bond Principal					538,819		
Budget Appropriations			9,172				
Other Transfers			(9,048)				
Increase/(Decrease) in Net Position	(234,398)	213,474	124		314,435		
Net Position - Dec. 1, 2019	19,665,143	2,333,673	3,758	59,160	1,063,958	375,000	10,000
Net Position - November 30, 2020	19,430,745	2,547,147	3,882	59,160	1,378,393	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, 2020

	Designated for Post-Employment Benefits Fund	Unrestricted Designated Compensated Absences	Undesignated	Total
Operating Revenue:				
Service Charges		2,646,078		2,646,078
Connection Fees			222,224	222,224
Miscellaneous			90,293	90,293
Total Operating Revenue			2,736,371	2,958,595
Operating Expense:				
Salaries and Wages		757,793		757,793
Fringe Benefits		132,871		132,871
Other Expenses		693,653		693,653
Depreciation Expense			509,737	509,737
Total Operating Expense			1,584,317	2,094,054
Operating Income			1,152,054	864,541
Non-Operating Revenue (Expense):				
Interest on Investments		95,052		95,052
Accumulated Sick and Vacation	7,886	(49,057)		7,886
Interest Expense				(49,057)
Other Non-Operating Revenue (Expenses)				-
	7,886		45,995	53,881
Net Income (Loss) Before Transfers	7,886		1,198,049	918,422
Transfers:				
Capital Expenditures			(19,658)	-
Bond Principal			(22,547)	-
Budget Appropriations	48,000		(595,991)	-
Other Transfers			9,048	-
Increase/(Decrease) in Net Position	55,886		568,901	918,422
Net Position - Dec. 1, 2019	527,312	50,000	(177,264)	23,910,740
Net Position - November 30, 2020	583,198	50,000	391,637	24,829,162

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, 2020

	Developer Escrow Accounts	Construction Aid Accounts	Bond Service Account	Bond Reserve Account	Renewal and Replacement Account
Cash, Cash Equivalents and Investments -					
December 1, 2019	118,043	2,610,170	124,074	102,590	52,626
Cash Receipts:					
Interest on Investments		44,604	1,008	1,459	434
Service Charges					
Other Receipts		382,877			
Developer Escrow Receipts	80,260				
Transfers			122,268		422,616
Total Cash Receipts	80,260	427,481	123,276	1,459	423,050
Cash and Investments Available	198,303	3,037,651	247,350	104,049	475,676
Cash Disbursements:					
Loan Principal Payments			38,874		
Interest Payments			84,794		
Operations					
Capital and Other Expenses		228,750			422,616
Developer Escrow Payments	120,507				
Transfers				1,128	
Total Cash Disbursements	120,507	228,750	123,668	1,128	422,616
Cash, Cash Equivalents and Investments -					
November 30, 2020	77,796	2,808,901	123,682	102,921	53,060
Analysis of Balance:					
Cash and Cash Equivalents	77,796	-	-	-	-
Investments	-	2,808,901	123,682	102,921	53,060
	77,796	2,808,901	123,682	102,921	53,060
Unrestricted	4,908	-	103,070		-
Restricted	72,888	2,808,901	20,612	102,000	53,060
	77,796	2,808,901	123,682	102,000	53,060
Water	38,898	1,404,450	61,841	51,461	26,530
Sewer	38,898	1,404,451	61,841	51,460	26,530
	77,796	2,808,901	123,682	102,921	53,060

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, 2020

	Rate Stabilization Account	Operating Reserve Account	Post-Employment Benefits Account	Operating / Revenue Accounts	Total
Cash, Cash Equivalents and Investments -					
December 1, 2019	812,199	469,092	1,009,408	7,097,645	12,395,847
Cash Receipts:					
Interest on Investments	12,407	4,417		125,775	190,104
Service Charges		4,904,783			4,904,783
Other Receipts		117,485			500,362
Developer Escrow Receipts					80,260
Transfers			96,000	4,992,746	5,633,630
Total Cash Receipts	<u>12,407</u>	<u>5,026,685</u>	<u>96,000</u>	<u>5,118,521</u>	<u>11,309,139</u>
Cash and Investments Available	<u>824,606</u>	<u>5,495,777</u>	<u>1,105,408</u>	<u>12,216,166</u>	<u>23,704,986</u>
Cash Disbursements:					
Loan Principal Payments					38,874
Interest Payments					84,794
Operations				3,294,500	3,294,500
Capital and Other Expenses				38,090	689,456
Developer Escrow Payments					120,507
Transfers		4,992,746		639,756	5,633,630
Total Cash Disbursements	<u>-</u>	<u>4,992,746</u>	<u>-</u>	<u>3,972,346</u>	<u>9,861,761</u>
Cash, Cash Equivalents and Investments -					
November 30, 2020	<u>824,606</u>	<u>503,031</u>	<u>1,105,408</u>	<u>8,243,820</u>	<u>13,843,225</u>
Analysis of Balance:					
Cash and Cash Equivalents	-	503,031	-	1,770,606	2,351,433
Investments	824,606	-	1,105,408	6,473,314	11,491,892
	<u>824,606</u>	<u>503,031</u>	<u>1,105,408</u>	<u>8,243,920</u>	<u>13,843,325</u>
Unrestricted	74,606	483,031	1,105,408	6,539,175	8,310,198
Restricted	750,000	20,000	-	1,705,666	5,533,127
	<u>824,606</u>	<u>503,031</u>	<u>1,105,408</u>	<u>8,244,841</u>	<u>13,843,325</u>
Water	412,303	251,516	552,704	1,245,371	4,045,074
Sewer	412,303	251,515	552,704	6,998,449	9,798,151
	<u>824,606</u>	<u>503,031</u>	<u>1,105,408</u>	<u>8,243,820</u>	<u>13,843,225</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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Revenues:					
Operating Revenues:					
Water User Charges and Fees	2,112,000	2,112,000	2,311,071	199,071	2,264,176
Connection Fees	-	-	160,653	160,653	65,148
Miscellaneous	35,000	35,000	27,192	(7,808)	34,092
Non-operating Revenues:					
Interest on Investments	40,000	40,000	95,052	55,052	83,617
Unrestricted Net Position	-	-	-	-	105,554
Total Revenues	2,187,000	2,187,000	2,593,968	406,968	2,552,587

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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating Expenses:					
Administration:					
Salaries and Wages	210,851	228,851	218,667	10,184	196,153
Fringe Benefits:					
Public Employees' Retirement System	24,875	24,875	21,157	3,718	26,434
Social Security Tax	14,250	14,250	13,325	925	15,344
Health Benefits	63,725	45,725	44,750	975	58,676
Dental Plan	3,050	3,050	2,506	544	2,819
Unemployment and Disability Insurance	133	133	130	3	106
Other Expenses:					
Customer Refunds	600	600	-	600	-
Postage	8,000	8,000	6,531	1,469	6,541
Telephone and Lease Lines	7,400	7,400	6,539	861	7,079
Property and Liability Insurance	63,000	63,000	56,015	6,985	55,370
Administrative Supplies and Services	33,000	33,000	26,087	6,913	27,186
Professional Services	77,000	77,000	60,085	16,915	78,966
General Expenses	10,000	10,000	5,819	4,181	7,150
Property Taxes	1,040	1,040	981	59	978
Education and Training	11,000	11,000	5,397	5,603	6,772
Regulatory Fees	34,000	34,000	23,281	10,719	26,674
Sub-total Administrative	561,924	561,924	491,270	70,654	516,248

**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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Operating Expenses (continued):					
Cost of Providing Services:					
Salaries and Wages	499,911	505,911	486,566	19,345	467,610
Fringe Benefits:					
Public Employees' Retirement System	74,625	74,625	63,472	11,153	58,836
Social Security Tax	42,750	42,750	39,974	2,776	34,153
Health Benefits	191,175	185,175	134,250	50,925	130,603
Dental Plan	9,150	9,150	7,519	1,631	6,273
Unemployment and Disability Insurance	398	398	391	7	236
Other Expenses:					
Reservoirs, Wells and Maint. Supplies	28,500	28,500	18,222	10,278	20,577
Filtration Plant:					
Chemicals	42,000	42,000	22,766	19,234	42,894
Electricity	240,000	240,000	181,962	58,038	202,784
Laboratory	26,500	26,500	11,495	15,005	13,585
Fuel Oil	7,700	7,700	1,893	5,807	5,410
Distribution System:					
Maintenance and Supplies	65,000	65,000	56,441	8,559	50,738
Gasoline	16,000	16,000	6,538	9,462	9,934
Vehicles and Equipment Maint.	11,500	11,500	8,762	2,738	5,485
Sub-total Cost of Providing Services	1,255,209	1,255,209	1,040,251	214,958	1,049,118
Sub-total Operating	1,817,132	1,817,132	1,531,521	285,611	1,565,366

**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, 2020**

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	35,613	35,613	35,523	90	36,162
Loan Principal	16,327	16,327	16,327	-	15,636
Reserves:					
Renewal and Replacement Reserve	262,734	262,734	262,734	-	365,000
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	7,194	7,194	7,194	-	5,631
Sub-total Other Costs	369,868	369,868	369,778	90	470,429
Total Costs Funded by Operating Revenues	2,187,000	2,187,000	1,901,299	285,701	2,035,795
Add: Excess / (Deficit)	-	-	692,669	692,669	516,792
	2,187,000	2,187,000	2,593,968	(406,968)	2,552,587

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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Excess of Revenues Over Expenses:	-	-	692,669		516,792
Reconciliation of Budgetary Basis to GAAP:					
Depreciation			(441,220)		(463,429)
Pension Adjustment			135,576		2,954
OPEB Adjustment			56,526		45,759
Accumulated Sick and Vacation			7,886		(8,700)
Renewal and Replacement Reserve			262,734		365,000
Future Health Benefits			48,000		48,000
Debt Service Coverage			7,194		5,631
Bond Principal			16,327		15,636
Refund of Connection Fees			-		(112,686)
Other Non-Operating Revenues (Expenses)			(2,865)		60,923
Unrestricted Net Position			-		(105,554)
Total Adjustments			<u>90,158</u>		<u>(146,466)</u>
Change in Net Position			<u>782,827</u>		<u>370,326</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
SEWER FUND
FOR THE YEAR ENDED NOVEMBER 31, 2020**

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Revenues:					
Operating Revenues:					
Sewer User Charges and Fees	2,609,000	2,609,000	2,646,078	37,078	2,647,805
Connection Fees	-	-	222,224	222,224	140,355
Miscellaneous	95,000	95,000	90,293	(4,707)	104,997
Non-operating Revenues:					
Interest on Investments	40,000	40,000	95,052	55,052	83,618
Total Revenues	2,744,000	2,744,000	3,053,647	309,647	2,976,775

**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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating Expenses:					
Administration:					
Salaries and Wages	210,851	228,851	218,667	10,184	196,153
Fringe Benefits:					
Public Employees' Retirement System	27,860	27,860	23,696	4,164	25,581
Social Security Tax	15,960	15,960	14,924	1,036	14,849
Health Benefits	71,372	53,372	49,420	3,952	55,284
Dental Plan	3,416	3,416	2,807	609	2,728
Unemployment and Disability Insurance	148	148	146	2	103
Other Expenses:					
Customer Refunds	400	400	-	400	-
Postage	8,000	8,000	5,680	2,320	6,541
Telephone and Lease Lines	7,400	7,400	6,538	862	7,613
Property and Liability Insurance	63,000	63,000	56,015	6,985	55,370
Administrative Supplies and Services	29,500	29,500	26,579	2,921	26,578
Professional Services	71,000	71,000	43,619	27,381	78,985
General Expenses	10,000	10,000	5,784	4,216	6,463
Property Taxes	9,800	9,800	8,698	1,102	8,609
Education and Training	13,000	13,000	5,932	7,068	4,358
Regulatory Fees	26,000	26,000	19,024	6,976	17,344
Sub-total Administrative	567,707	567,707	487,529	80,178	506,559

**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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Operating Expenses (continued):					
Cost of Providing Services:					
Salaries and Wages	530,700	562,700	539,126	23,574	501,174
Fringe Benefits:					
Public Employees' Retirement System	71,640	71,640	60,933	10,707	59,689
Social Security Tax	41,040	41,040	38,375	2,665	34,648
Health Benefits	183,528	174,528	127,080	47,448	128,995
Dental Plan	8,784	8,784	7,217	1,567	6,364
Unemployment and Disability Insurance	382	382	375	7	239
Other Expenses:					
Pollution Control Plant:					
Maintenance and Supplies	56,000	56,000	47,306	8,694	48,894
Chemicals	160,000	160,000	143,674	16,326	145,649
Electricity	165,000	165,000	111,721	53,279	138,993
Laboratory	25,000	25,000	18,681	6,319	20,956
Fuel Oil	15,000	15,000	8,148	6,852	12,586
Sludge Disposal	208,000	185,000	161,019	23,981	140,969
Collection System:					
Maintenance and Supplies	18,000	18,000	8,210	9,790	6,062
Gasoline	15,000	15,000	7,212	7,788	9,261
Vehicles and Equipment Maint.	10,500	10,500	9,813	687	7,578
Sub-total Cost of Providing Services	1,508,574	1,508,574	1,288,890	219,684	1,262,057
Sub-total Operating	2,076,281	2,076,281	1,776,419	299,862	1,768,616

**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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	49,181	49,181	49,057	124	49,937
Loan Principal	22,547	22,547	22,547	-	21,592
Reserves:					
Renewal and Replacement Reserve	538,819	538,819	538,819	-	505,368
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	9,172	9,172	9,172	-	7,014
Sub-total Other Costs	667,719	667,719	667,595	124	631,911
Total Costs Funded by Operating Revenues	2,744,000	2,744,000	2,444,014	299,986	2,400,527
Add: Excess / (Deficit)	-	-	609,633	609,633	576,248
	2,744,000	2,744,000	3,053,647	(309,647)	2,976,775

**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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Excess of Revenues Over Expenses:	-	-	609,633		576,248
Reconciliation of Budgetary Basis to GAAP:					
Depreciation			(509,737)		(538,867)
Pension Adjustment			135,576		2,954
OPEB Adjustment			56,526		45,758
Accumulated Sick and Vacation			7,886		(8,699)
Renewal and Replacement Reserve			538,819		505,368
Future Health Benefits			48,000		48,000
Debt Service Coverage			9,172		7,014
Bond Principal			22,547		21,592
Refund of Connection Fees			-		(240,784)
Other Non-Operating Revenues (Expenses)			-		114,369
Loss on Disposal of Assets			-		(57,297)
Total Adjustments			308,789		(100,592)
Change in Net Position			918,422		475,656

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, 2020

	FY 2020 Adopted Budget	FY 2020 Budget as Amended	Paid or Charged	Excess / (Deficit)
Financing Sources:				
Water Fund:				
Unrestricted Net Position	-	-	18,432	(18,432)
Renewal and Replacement Reserve	270,000	270,000	198,232	71,768
Other Sources	220,000	220,000	220,000	-
Sewer Fund:				
Unrestricted Net Position	-	-	19,658	(19,658)
Renewal and Replacement Reserve	1,105,000	1,105,000	224,384	880,616
Other Sources	807,000	807,000	8,750	798,250
	<u>2,402,000</u>	<u>2,402,000</u>	<u>689,456</u>	<u>1,712,544</u>
Capital Outlays:				
Water Fund:				
Equip/Valve/Itron/Veh. Replacement (1)	220,000	220,000	198,232	21,768
Well/Pump Station Improvements (1)	10,000	10,000	-	10,000
Water Main/Soil Disposal/Paving (1)	40,000	40,000	18,432	21,568
Water Main/Soil Disposal/Paving (2)	220,000	220,000	220,000	-
Sewer Fund:				
Equip. Replacement/Improvements (1)	625,000	625,000	202,300	422,700
Sewer Jet/Camera/Vehicles/Itron (1)	50,000	50,000	22,084	27,916
Disinfection System Replacement (1)	430,000	430,000	19,658	410,342
Nat. Gas Conversion/Generators (1)	807,000	807,000	8,750	798,250
	<u>2,402,000</u>	<u>2,402,000</u>	<u>689,456</u>	<u>1,712,544</u>
Total Capital Outlays	<u>2,402,000</u>	<u>2,402,000</u>	<u>689,456</u>	<u>1,712,544</u>
Total Costs Funded by Capital Revenue	<u>2,402,000</u>	<u>2,402,000</u>	<u>689,456</u>	<u>1,712,544</u>
Add: Excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,402,000</u>	<u>2,402,000</u>	<u>689,456</u>	<u>1,712,544</u>

(1) Funded through renewal and replacement reserve and unrestricted net position.

(2) 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		Balance Dec. 1, 2019	Issued	Redeemed	Balance Nov. 30, 2020
			Date	Amount				
Diamond Hill Project USDA Loan Financing	5/1/2007	4.35%	2021	17,049	818,060			801,733
		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						
					818,060		16,327	801,733
					818,060		16,327	801,733
					16,327			17,049
					801,733			784,684
					818,060			801,733

Current Portion
Noncurrent Portion

SCHEDULE 8

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

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Dec. 1, 2019	Issued	Redeemed	Balance Nov. 30, 2020
			Date	Amount				
Diamond Hill Project USDA Loan Financing	5/1/2007	4.35%	2021	23,544				
		4.35%	2022	24,585				
		4.35%	2023	25,673				
		4.35%	2024	26,808				
		4.34%	2025	27,994				
		4.34%	2026	29,232				
		4.34%	2027	30,525				
		4.34%	2028	31,875				
		4.33%	2029	33,285				
		4.33%	2030	34,757				
		4.33%	2031	36,294				
		4.32%	2032	37,900				
		4.32%	2033	39,576				
		4.31%	2034	41,326				
		4.30%	2035	43,154				
		4.30%	2036	45,063				
		4.29%	2037	47,056				
		4.27%	2038	49,137				
		4.26%	2039	51,310				
		4.24%	2040	53,579				
		4.21%	2041	55,949				
4.18%	2042	58,424						
4.12%	2043	61,008						
4.03%	2044	63,706						
3.84%	2045	66,524						
2.19%	2046	68,870						
					1,129,701		22,547	1,107,154
					1,129,701		22,547	1,107,154
Current Portion					22,547			23,544
Noncurrent Portion					1,107,154			1,083,610
					1,129,701			1,107,154

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at November 31, 2020:

<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
Nancy Lasch	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.

Government Auditing Standards Report



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Hackettstown Municipal Utilities Authority, as of and for the year ended November 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2022.

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.

Wielkotz & Company, LLC

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

February 3, 2022



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, 2020

NONE

General Comments and Recommendations

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 \$44,000, 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 \$44,000.

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,

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants