

**THE TOWN OF HACKETTSTOWN  
MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE  
TOWN OF HACKETTSTOWN)  
REPORT OF AUDIT  
FOR THE YEAR ENDED  
NOVEMBER 30, 2021**

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

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# WIELKOTZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Steven D. Wielkatz, CPA, RMA, PSA  
Matthew B. Wielkatz, CPA, PSA  
Paul J. Cuva, CPA, RMA, PSA  
James J. Cerullo, CPA, RMA, PSA  
Thomas M. Ferry, CPA, RMA, PSA

Headquarters  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
(973)-835-7900  
office@w-cpa.com

Rockaway Office  
100 Enterprise Drive  
Suite 301  
Rockaway, New Jersey 07866  
(973)-835-7900

## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Hackettstown Municipal Utilities Authority  
Hackettstown, New Jersey

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

#### ***Modified Opinion***

We have audited the accompanying statement of net position of the Hackettstown Municipal Utilities Authority ("the Authority") as of November 30, 2021, and the related statement 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.

In our opinion, except for the effects of the matter described in the "*Basis for Modified Opinion*" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Hackettstown Municipal Utilities Authority as of November 30, 2021, 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.

#### ***Basis for Modified Opinion***

Management has not updated the net other post-employment benefit obligation and net pension obligation, deferred outflow, accounts payable, and deferred inflow accounts to a measurement date acceptable under current accounting standards for the year ended November 30, 2021. Government Accounting Standards Board Statements No. 68 and No.75 require a state or local government employer to recognize a net pension liability and other post-employment benefit obligation measured as of a date no earlier than the end of its prior fiscal year. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources, net pension and net post-employment benefit obligation has not been determined.



***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hackettstown Municipal Utilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Hackettstown Municipal Utilities Authority's internal control. Accordingly, no such opinion is expressed.





- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hackettstown Municipal Utilities Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

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

#### ***Other Matters***

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hackettstown Municipal Utilities 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 Honorable Chairman and Members of  
Hackettstown Municipal Utilities Authority  
Page 4.

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

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or any form of assurance thereon.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2022 on our consideration of the 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 Hackettstown Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

*Wielkotz & Company, LLC*

WIELKOTZ & COMPANY, LLC

Certified Public Accountants

Pompton Lakes, New Jersey

May 5, 2022



**Required Supplementary Information - Part I**



**Management Discussion and Analysis**

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

*As management of the Town of Hackettstown Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended November 30, 2021 and 2020. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

**Financial Highlights**

- The Authority's combined assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$51,385,160 (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 \$49,772,065.
- Total combined net position are comprised of the following:
  - (1) Net investment in capital assets of \$44,489,815 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 \$6,415,619 restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$479,726 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total combined liabilities of the Authority decreased by \$33,890 to \$9,707,343 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 years 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 \$51,385,160. This is a \$1,613,095 increase over last year's net position of \$49,772,065. 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 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current Assets:				
Unrestricted:				
Cash and Investments	9,095,115	8,310,098	785,017	9.45
Change Fund	100	100	0	0.00
Accounts Receivable	192,340	185,264	7,076	3.82
Prepaid Expenses	42,259	45,085	(2,826)	(6.27)
Restricted:				
Cash and Investments	<u>6,550,322</u>	<u>5,533,127</u>	<u>1,017,195</u>	18.38
Total Current Assets	<u>15,880,136</u>	<u>14,073,674</u>	<u>1,806,462</u>	12.84
Noncurrent Assets:				
Capital Assets				
Capital Assets Not Being Depreciated:				
Land	747,800	747,800	0	0.00
Capital Assets	75,299,058	74,999,575	299,483	0.40
Less: Accumulated Depreciation	(32,770,571)	(31,741,476)	(1,029,095)	3.24
Construction in Progress	<u>3,081,822</u>	<u>2,579,467</u>	<u>502,355</u>	19.48
				(0.49)
Total Capital Assets	<u>46,358,109</u>	<u>46,585,366</u>	<u>(227,257)</u>	
Total Assets	<u>62,238,245</u>	<u>60,659,040</u>	<u>1,579,205</u>	2.60
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension and OPEB Deferred Outflows	<u>2,072,371</u>	<u>2,092,371</u>	<u>1,370,471</u>	195.25



**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 2021</u>	<u>FY 2020</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Unrestricted:				
Accounts Payable	106,513	106,808	(295)	(0.28)
Accounts Payable - Pension and OPEB	<u>361,600</u>	<u>361,600</u>	<u>0</u>	0.00
	<u>468,113</u>	<u>468,408</u>	<u>(295)</u>	<u>(0.06)</u>
Restricted:				
Accrued Interest on Debt	13,623	13,919	(296)	(2.13)
Escrow Deposits Payable	121,080	72,888	48,192	66.12
Loans Payable - Current Portion	<u>42,388</u>	<u>40,593</u>	<u>1,795</u>	4.42
	<u>177,091</u>	<u>127,400</u>	<u>49,691</u>	39.00
Noncurrent Liabilities:				
Compensated Absences Payable	283,593	324,491	(40,898)	(12.60)
Net Pension Liability	2,818,997	2,818,997	0	0.00
Net OPEB Liability	4,133,643	4,133,643	0	0.00
Loans Payable	<u>1,825,906</u>	<u>1,868,294</u>	<u>(42,388)</u>	<u>(2.27)</u>
Total Noncurrent Liabilities	<u>9,062,139</u>	<u>9,145,425</u>	<u>(83,286)</u>	<u>(0.91)</u>
Total Liabilities	<u>9,707,343</u>	<u>9,741,233</u>	<u>(33,890)</u>	<u>(0.35)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension and OPEB Deferred Inflows	<u>3,238,113</u>	<u>3,238,113</u>	<u>0</u>	0.00
<b>NET POSITION</b>				
Net Investment in Capital Assets	44,489,815	44,676,479	(186,664)	(0.42)
Restricted	6,415,619	5,446,320	969,299	17.80
Unrestricted	<u>479,726</u>	<u>(350,734)</u>	<u>830,460</u>	<u>(236.78)</u>
Total Net Position	<u>51,385,160</u>	<u>49,772,065</u>	<u>1,613,095</u>	3.24

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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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 \$1,613,095.

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

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue:				
Service Charges	5,110,739	4,957,149	153,590	3.10
Connection Fees	678,161	382,877	295,284	77.12
Miscellaneous	<u>134,873</u>	<u>117,485</u>	<u>17,388</u>	100.00
Total Operating Revenue	<u>5,923,773</u>	<u>5,457,511</u>	<u>466,262</u>	8.54
Operating Expense:				
Salaries and Wages	1,418,631	1,463,026	(44,395)	(3.03)
Fringe Benefits	679,476	268,243	411,233	153.31
Other Expenses	1,240,107	1,192,467	47,640	4.00
Depreciation Expense	<u>1,041,576</u>	<u>950,957</u>	<u>90,619</u>	9.53
Total Operating Expense	<u>4,379,790</u>	<u>3,874,693</u>	<u>505,097</u>	13.04
Operating Income	<u>1,543,983</u>	<u>1,582,818</u>	<u>513,718</u>	32.46
Non-Operating Revenue (Expense):				
Interest on Investments	171,628	190,104	(18,476)	(9.72)
Accumulated Sick and Vacation	40,899	15,772	25,127	159.31
Interest Expense	(82,778)	(84,580)	1,802	(2.13)
Other Non-Operating Expenses	<u>(60,637)</u>	<u>(2,865)</u>	<u>(57,772)</u>	2,016.47
	<u>69,112</u>	<u>118,431</u>	<u>(49,319)</u>	(41.64)
Increase/(Decrease) in Net Position	1,613,095	1,701,249	(88,154)	(5.18)
Net Position - Dec. 1	<u>49,772,065</u>	<u>48,070,816</u>	<u>24,522</u>	0.05
Net Position - Nov. 30	<u>51,385,160</u>	<u>49,772,065</u>	<u>1,613,095</u>	3.24

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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**Budgetary Highlights**

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

The following tables provides a FY 2021 budget comparison for the water and sewer funds:

**Budget vs. Actual**  
**FY 2021 - Water Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,189,940	2,964,238	774,298
Non-Operating	25,000	85,813	<u>60,813</u>
Unrestricted Net Position	<u>200,000</u>	<u>200,000</u>	
	<u>2,414,940</u>	<u>3,250,051</u>	<u>835,111</u>
Expenses:			
Operating	1,930,669	1,553,255	377,414
Non-Operating	<u>484,271</u>	<u>484,147</u>	<u>124</u>
	<u>2,414,940</u>	<u>2,037,402</u>	<u>377,538</u>
Income Before Depreciation	<u>0</u>	<u>1,212,649</u>	<u>1,212,649</u>

**Budget vs. Actual**  
**FY 2021 - Sewer Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,758,080	2,959,535	201,455
Non-Operating	25,000	85,815	60,815
Unrestricted Net Position	<u>200,000</u>	<u>200,000</u>	<u>0</u>
	<u>2,983,080</u>	<u>3,245,350</u>	<u>262,270</u>
Expenses:			
Operating	2,126,156	1,784,959	341,197
Non-Operating	<u>856,924</u>	<u>856,752</u>	<u>172</u>
	<u>2,983,080</u>	<u>2,641,711</u>	<u>341,369</u>
Income Before Depreciation	<u>0</u>	<u>603,639</u>	<u>603,639</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 2021, the Authority had invested \$76,046,848 in combined property, plant and equipment. The Authority's combined net property, plant and equipment at fiscal year end was \$46,358,109. This is a decrease of \$227,257 over last year's combined net property, plant and equipment of \$46,585,366. A summary of the Authority's capital assets is presented in the following table:

**Capital Assets - Water and Sewer Funds**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>
Land	747,800	747,800	0
Buildings/Force Mains/Interceptors, Vehicles and Equipment	<u>75,299,058</u>	<u>74,999,575</u>	<u>299,483</u>
Total Property, Plant and Equipment	76,046,858	75,747,375	299,483
Less: Accumulated Depreciation	<u>(32,770,571)</u>	<u>(31,741,476)</u>	<u>(1,029,095)</u>
Net Property, Plant and Equipment	43,276,287	44,005,899	(729,612)
Construction in Progress	<u>3,081,822</u>	<u>2,579,467</u>	<u>502,355</u>
Total Capital Assets	<u>46,358,109</u>	<u>46,585,366</u>	<u>(227,257)</u>



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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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	1,328,000
Well/Pump Station Improvements	776,500
Water Main/Soil Disposal/Pavir	2,428,000
New 1.0 MG Tank	<u>5,400,000</u>
 Total	 <u>9,932,500</u>
Sewer:	
Equip. Replacement/Improvements	2,305,000
Sewer Jet/Camera/Vehicles/Itron	2,045,000
Disinfection System Repl.	1,405,000
Nat. Gas Conversion/Generator	<u>1,522,000</u>
 Total	 <u>7,277,000</u>
 TOTAL	 <u>17,209,500</u>

**Debt Administration**

As of November 30, 2021, the Authority had outstanding United States Department of Agriculture Rural Development Loans in the amount of \$1,868,294. 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, 2021**

**EXHIBIT A**  
Page 1 of 3

<u>ASSETS</u>	Water Fund	Sewer Fund	Total
<b>Current Assets:</b>			
<u>Unrestricted:</u>			
Cash and Cash equivalents	\$ 1,279,708	\$ 1,345,753	\$ 2,625,461
Investments	2,114,194	4,355,460	6,469,654
Change Fund	50	50	100
Accounts Receivable	106,890	85,450	192,340
Prepaid Expenses	37,586	4,673	42,259
 Total Unrestricted Assets	 3,538,428	 5,791,386	 9,329,814
<u>Restricted:</u>			
Escrow Fund:			
Cash and Cash equivalents	60,540	60,540	121,080
Construction Aid Fund:			
Investments	744,293	2,683,490	3,427,783
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	503,641	1,605,206	2,108,847
Rate Stabilization Fund:			
Investments	375,000	375,000	750,000
Operating Reserve Fund:			
Cash and Cash equivalents	10,000	10,000	20,000
 Total Restricted Assets	 1,744,971	 4,805,351	 6,550,322
 <b>Non-Current Assets:</b>			
<u>Capital Assets:</u>			
Land	350,000	397,800	747,800
Capital Assets	37,292,758	38,006,300	75,299,058
Less: Accumulated Depreciation	(13,669,607)	(19,100,964)	(32,770,571)
Construction in Progress	1,897,581	1,184,241	3,081,822
 Total Capital Assets	 25,870,732	 20,487,377	 46,358,109
 TOTAL ASSETS	 \$ 31,154,131	 \$ 31,084,114	 \$ 62,238,245

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, 2021**

**EXHIBIT A**  
Page 2 of 3

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
<b>Deferred Outflows:</b>			
Deferred Pension-Related Outflows	260,629	260,629	521,258
Deferred OPEB-Related Outflows	785,556	785,557	1,571,113
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,046,185</b>	<b>1,046,186</b>	<b>2,092,371</b>
 <b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
<b><u>Payable from Unrestricted Assets:</u></b>			
Accounts Payable and Accrued Liabilities	\$ 27,599	\$ 78,914	\$ 106,513
Accounts Payable - Pension-Related	105,900	105,900	211,800
Accounts Payable - OPEB-Related	74,900	74,900	149,800
<b>Total Payable from Unrestricted Assets</b>	<b>208,399</b>	<b>259,714</b>	<b>468,113</b>
 <b><u>Payable from Restricted Assets:</u></b>			
Accrued Interest Payable	5,722	7,901	13,623
Escrow Deposits Payable	60,540	60,540	121,080
Loans Payable - Current Portion	17,803	24,585	42,388
<b>Total Payabled from Restricted Assets</b>	<b>84,065</b>	<b>93,026</b>	<b>177,091</b>
 <b>Non-Current Liabilities:</b>			
Compensated Absences Payable	141,797	141,796	283,593
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	766,881	1,059,025	1,825,906
<b>Total Non-Current Liabilities</b>	<b>4,384,998</b>	<b>4,677,141</b>	<b>9,062,139</b>
<b>TOTAL LIABILITIES</b>	<b>4,677,462</b>	<b>5,029,881</b>	<b>9,707,343</b>

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



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF NET POSITION**  
**NOVEMBER 30, 2021**

**EXHIBIT A**  
Page 3 of 3

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
<b>Deferred Inflows:</b>			
Deferred Pension-Related Inflows	607,934	607,934	1,215,868
Deferred OPEB-Related Inflows	1,011,122	1,011,123	2,022,245
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,619,056</b>	<b>1,619,057</b>	<b>3,238,113</b>
<b><u>NET POSITION</u></b>			
<b>Net Position:</b>			
Net Investment in Capital Assets	25,086,048	19,403,767	44,489,815
<b>Restricted:</b>			
Construction Aid Fund	744,293	2,683,490	3,427,783
Current Debt Service	2,935	4,054	6,989
Future Debt Service	42,840	59,160	102,000
Renewal and Replacement	503,641	1,605,206	2,108,847
Rate Stabilization	375,000	375,000	750,000
Operating	10,000	10,000	20,000
<b>Unrestricted:</b>			
Designated	701,646	701,648	1,403,294
Undesignated	(1,562,605)	639,037	(923,568)
<b>TOTAL NET POSITION</b>	<b>\$ 25,903,798</b>	<b>\$ 25,481,362</b>	<b>\$ 51,385,160</b>

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

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**CONDENSED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED NOVEMBER 30, 2021**

**EXHIBIT B**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenue:</b>			
Service Charges	\$ 2,395,352	\$ 2,715,387	\$ 5,110,739
Connection Fees	541,818	136,343	678,161
Miscellaneous	27,068	107,805	134,873
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	2,964,238	2,959,535	5,923,773
<b>Operating Expenses:</b>			
Salaries and Wages	702,551	716,080	1,418,631
Fringe Benefits	339,738	339,738	679,476
Other Expenses	510,966	729,141	1,240,107
Depreciation Expense	489,843	551,733	1,041,576
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	2,043,098	2,336,692	4,379,790
Operating Income	<hr/>	<hr/>	<hr/>
	921,140	622,843	1,543,983
<b>Non-Operating Revenue (Expenses):</b>			
Interest on Investments	85,813	85,815	171,628
Accumulated Sick and Vacation	20,449	20,450	40,899
Interest Expense	(34,767)	(48,011)	(82,778)
Other Non-Operating Revenue (Expenses)	(31,740)	(28,897)	(60,637)
	<hr/>	<hr/>	<hr/>
Non-Operating Income (Loss)	39,755	29,357	69,112
Change In Net Position	960,895	652,200	1,613,095
Net Position - December 1, 2020	<hr/>	<hr/>	<hr/>
	24,942,903	\$ 24,829,162	49,772,065
Net Position - November 30, 2021	<hr/>	<hr/>	<hr/>
	\$ 25,903,798	\$ 25,481,362	\$ 51,385,160

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, 2021**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Service Charges	\$ 2,382,723	2,720,940	\$ 5,103,663
Other Receipts	568,886	244,148	813,034
Cash Paid to Vendors and Employees	(1,538,428)	(1,769,552)	(3,307,980)
<b>Net Cash Provided by Operating Activities</b>	<b>1,413,181</b>	<b>1,195,536</b>	<b>2,608,717</b>
<b>Cash Flow from Investing Activities:</b>			
Interest Earned on Investments	85,813	85,815	171,628
Net Transfers (To) From Investments	(918,777)	(508,374)	(1,427,151)
<b>Net Cash Provided by (used in) Investing Activities</b>	<b>(832,964)</b>	<b>(422,559)</b>	<b>(1,255,523)</b>
<b>Cash Flow from Financing Activities:</b>			
Principal Payment on Loan	(17,049)	(23,544)	(40,593)
Interest Paid on Loan	(34,891)	(48,183)	(83,074)
Capital Expenditures Paid	(313,108)	(501,211)	(814,319)
<b>Net Cash Used in Financing Activities</b>	<b>(365,048)</b>	<b>(572,938)</b>	<b>(937,986)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>215,169</b>	<b>200,039</b>	<b>415,208</b>
<b>Cash and Cash Equivalents - December 1, 2020</b>	<b>1,135,079</b>	<b>\$ 1,216,254</b>	<b>2,351,333</b>
<b>Cash and Cash Equivalents - November 30, 2021</b>	<b>\$ 1,350,248</b>	<b>\$ 1,416,293</b>	<b>\$ 2,766,541</b>
 <b>Analysis of Balance:</b>			
Unrestricted	\$ 1,279,708	\$ 1,345,753	\$ 2,625,461
Restricted	70,540	70,540	141,080
	<b>\$ 1,350,248</b>	<b>\$ 1,416,293</b>	<b>\$ 2,766,541</b>

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

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED NOVEMBER 30, 2021**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>OPERATING INCOME (LOSS)</b>	\$ 921,140	\$ 622,843	\$ 1,543,983
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>			
Depreciation Expense	489,843	551,733	1,041,576
Decrease (Increase) in Accounts Receivable	(12,629)	5,553	(7,076)
Decrease (Increase) in Prepaid Expenses	2,835	(9)	2,826
Increase (Decrease) in Accounts Payable	(12,104)	(8,680)	(20,784)
Increase (Decrease) in Escrow Deposits	24,096	24,096	48,192
<b>Total Adjustments</b>	492,041	572,693	1,064,734
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 1,413,181	\$ 1,195,536	\$ 2,608,717

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, 2021**

**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, 2021**  
**(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, 2021**  
**(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, 2021**  
**(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, 2021**  
**(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, 2021**  
**(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, 2021**  
**(CONTINUED)**

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

**I. Restricted Accounts, (continued)**

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

**J. Operating Fund Budget**

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

**K. Use of Estimates**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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, 2021**  
**(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

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**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 Commission has reviewed this Statement and does not believe it will impact future financial reporting.

In April 2022, the Government Accounting Standards Board issued GASB Statement No. 99, *Omnibus 2022*. The Objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

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

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, Basic Financial Statements- and Management's Discussion Analysis-for State and Local Governments, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position



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

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

- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmentary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Authority is determining the effects, if any, this statement will have on future financial statements.

**NOTE 3. CASH AND CASH EQUIVALENTS**

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

As of November 30, 2021, cash and cash equivalents of the Town of Hackettstown Municipal Utilities Authority consisted of the following:

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**(CONTINUED)**

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

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Total</u>
Cash on Hand	\$100	\$100
Checking and Savings Accounts	<u>2,766,541</u>	<u>2,766,541</u>
	<u>\$2,766,641</u>	<u>\$2,766,641</u>
	<u>Analysis</u>	
Restricted Accounts	\$141,080	
Unrestricted Accounts	<u>2,625,561</u>	
	<u>\$2,766,641</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, 2021, \$0- of the Authority's bank balance of \$2,764,485 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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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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, 2021:

<u>Investment Type</u>	<u>Face Amount</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in years)</u>		
			<u>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of Deposit	\$1,844,085	\$1,818,127	\$1,818,127		
Government and Other Bonds	1,032,107	1,032,107	1,032,107		
Money Market Funds, Misc.	<u>10,002,704</u>	<u>9,999,046</u>	<u>9,999,046</u>		
	<u>\$12,878,896</u>	<u>\$12,849,280</u>	<u>\$12,849,280</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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**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, 2021 is as follows:

	<u>Balance</u> <u>Nov. 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2021</u>
Capital Assets, Not Being Depreciated:				
Land	\$747,800	\$	\$	\$747,800
Construction in Progress	<u>2,579,467</u>	<u>502,355</u>	<u>          </u>	<u>3,081,822</u>
	<u>3,327,267</u>	<u>502,355</u>	<u>0</u>	<u>3,829,622</u>
Capital Assets, Being Depreciated:				
Infrastructure	45,731,854	49,841		45,781,695
Building and Improvements	20,436,209			20,436,209
Vehicles	969,962	75,280	12,481	1,032,761
Machinery and Equipment	7,861,550	186,843		8,048,393
Less: Accumulated Depreciation	<u>(31,741,476)</u>	<u>(1,041,576)</u>	<u>(12,481)</u>	<u>(32,770,571)</u>
	<u>43,258,099</u>	<u>(729,612)</u>	<u>0</u>	<u>42,528,487</u>
Capital Assets	<u>\$46,585,366</u>	<u>(\$227,257)</u>	<u>\$0</u>	<u>\$46,358,109</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, 2021, the Authority had the following bonds outstanding:

	<u>Balance</u> <u>Nov. 30, 2020</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>Nov. 30, 2021</u>
USDA Rural Development Loan:				
Water Portion	\$801,733	\$	\$17,049	\$784,684
Sewer Portion	<u>1,107,154</u>	<u>          </u>	<u>23,544</u>	<u>1,083,610</u>
	<u>\$1,908,887</u>	<u>\$</u>	<u>\$40,593</u>	<u>\$1,868,294</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(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>
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>\$784,684</u>	<u>\$512,855</u>	<u>\$1,083,610</u>	<u>\$708,224</u>	<u>\$1,868,294</u>	<u>\$1,221,079</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7. PENSION**

Description of Plans:

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

*Public Employees' Retirement System (PERS)*

Plan Description

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

Benefits Provided

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

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

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

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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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**(CONTINUED)**

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

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

<b><u>Three Year Trend Information for PERS</u></b>		
<b><u>Year</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>
11/30/21	\$189,108	100%
11/30/20	169,257	100%
11/30/19	170,540	100%

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

**Public Employees Retirement System (PERS)**

At November 30, 2021, 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 has not updated the net position obligation, pension-related deferred outflow, accounts payable – pension or pension-related deferred inflow accounts to a measurement date acceptable under current accounting standards for the period ended December 31, 2020. Government Accounting Standards Board Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources and net position has not been determined. 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, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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)**

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>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	
Authority contributions subsequent to the measurement date	<u>211,800</u>	
Total	<u>\$521,258</u>	<u>\$1,215,868</u>

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, 2021, the plan measurement date is June 30, 2021) will be recognized as a reduction of the net pension liability in the year ended November 30, 2021. 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.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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)**

**Additional Information**

Local Group Collective balances at November 30, 2021 is as follows:

	<u>Nov. 30, 2021</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%

**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.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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)**

**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-2021.

**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, 2021) 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, 2021 are summarized in the following table:

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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, (continued)**

<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%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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)**

**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](http://www.state.nj.us/treasury/pensions).

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**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(CONTINUED)**

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS**

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

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

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

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

**General Information about the OPEB Plan**

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

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(CONTINUED)**

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

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

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

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



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(CONTINUED)**

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

**Total OPEB Liability**

At November 30, 2021, 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 in the plan. At June 30, 2020 the Authority's proportion was 0.023033 percent.

For the year ended November 30, 2021, the Authority recognized pension expense (benefit) of \$61,246. At November 30, 2021, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of 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	<u>691,548</u>	<u>333,225</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 OPEB 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**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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 8.05 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**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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 3.50% 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**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(CONTINUED)**

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

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

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

	June 30, 2020		
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% 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, 2021, compensated absences accrued for Authority employees was \$283,593.

**NOTE 10. RELATED PARTIES**

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

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

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

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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, 2021, the Authority's construction fund was the following:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Construction Aid Fund	<u>\$744,293</u>	<u>\$2,683,490</u>	<u>\$3,427,783</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, 2021, 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>(5,722)</u>	<u>(7,901)</u>	<u>(13,623)</u>
Current Debt Service Reserve	<u>\$2,935</u>	<u>\$4,054</u>	<u>\$6,989</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, 2021, 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**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2021**  
**(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, 2021, the Authority restricted the following funds for renewal and replacement:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Renewal and Replacement	<u>\$503,641</u>	<u>\$1,605,206</u>	<u>\$2,108,847</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, 2021, 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, 2021, 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, 2021**  
**(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	\$651,646	\$651,648	\$1,303,294
Designated for Compensated Absences	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
	<u>\$701,646</u>	<u>\$701,648</u>	<u>\$1,403,294</u>

At November 30, 2021, the Authority reported a total amount of \$1,403,294 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, 2021:

	<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>2,486,586</u>	<u>4,688,228</u>	<u>7,174,814</u>
	<u>(\$1,562,605)</u>	<u>\$639,037</u>	<u>(\$923,568)</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**

In 2022, the Authority authorized the issuance of \$4,600,000 and \$1,000,000 bonds through the New Jersey Infrastructure Bank for construction of a new water storage tank with related water distribution lines and lead service line replacement. As of the date of this report, neither project has been financed.

The Authority has evaluated subsequent events through May 5, 2022, the date which the financial statements were available to be issued and no other items were noted for disclosure.

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 Eight Fiscal Years**

	Measurement Date Ending June 30,							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	N/A	0.0172866288 %	0.0173508848 %	0.0170850451 %	0.0168827880 %	0.0171188029 %	0.016532% %	0.017193% %
Authority's Proportionate Share of the Net Pension Liability	N/A	\$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	\$1,269,170	\$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 it's Covered-Employee Payroll	N/A	205.01%	237.54%	272.35%	326.81%	429.38%	313.58%	284.54%

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



SCHEDULE RSI-2

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

	Fiscal Year ended November 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractual Required Contribution	\$ 189,108	\$ 169,258	\$ 170,540	\$ 157,892	\$ 156,401	\$ 152,081	\$ 142,137	\$ 141,739
Contributions in Relation to the Contractually Required Contribution	(189,108)	(169,258)	(170,540)	(157,892)	(156,401)	(152,081)	(142,137)	(141,739)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 1,269,170	\$ 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	14.90%	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 Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:					
Service Cost	N/A	\$139,568	\$131,129	\$181,730	\$213,075
Interest	N/A	114,576	125,130	154,933	129,788
Changes of Assumptions	N/A	833,221	(597,555)	(1,204,581)	(517,984)
Benefit Payments	N/A	(107,384)	(92,494)	(85,492)	(83,565)
Contributions - Members	N/A	8,648	8,508	10,947	10,726
Change in Allocation	N/A	<u>464,465</u>	<u>(96,684)</u>	<u>53,842</u>	<u>459,881</u>
Net Change in Total OPEB Liability	N/A	<u>1,453,094</u>	<u>(521,966)</u>	<u>(888,621)</u>	<u>(707,841)</u>
Total OPEB Liability - Beginning	N/A	<u>2,718,522</u>	<u>3,240,488</u>	<u>4,129,109</u>	<u>4,836,950</u>
Total OPEB Liability - Ending	N/A	<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	N/A	67,350	68,147	85,406	70,424
Contributions - Non-Employer Contribution Entities	N/A	8,064	8,627	10,858	10,621
Contributions - Members	N/A	8,648	8,508	10,947	10,726
Net Investment Income	N/A	658	950	471	158
Benefit Payments	N/A	(107,384)	(92,494)	(85,492)	(83,565)
Administrative Expense	N/A	(2,283)	(1,865)	(1,663)	(1,780)
Change in Allocation	N/A	<u>9,181</u>	<u>(1,902)</u>	<u>6,556</u>	<u>(3,163)</u>
Net Change in Plan Fiduciary Net Position	N/A	<u>(15,766)</u>	<u>(10,029)</u>	<u>27,083</u>	<u>3,421</u>
Plan Fiduciary Net Position - Beginning	N/A	<u>53,739</u>	<u>63,768</u>	<u>36,685</u>	<u>33,264</u>
Plan Fiduciary Net Position - Ending	N/A	<u>37,973</u>	<u>53,739</u>	<u>63,768</u>	<u>36,685</u>
Authority's Net OPEB Liability	N/A	<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, 2021**

**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 Schedules**

TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
WATER FUND  
FOR THE YEAR ENDED NOVEMBER 30, 2021

	Net Investment in Capital Assets	Restricted					Operating Reserve
		Construction Fund (Reserve for Future Capital Projects)	Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Rate Stabilization Reserve	
<b>Operating Revenue:</b>							
Service Charges		541,818					
Connection Fees							
Miscellaneous							
<b>Total Operating Revenue</b>		541,818					
<b>Operating Expense:</b>							
Salaries and Wages							
Fringe Benefits							
Other Expenses	489,843						
Depreciation Expense							
<b>Total Operating Expense</b>	489,843						
<b>Operating Income</b>	(489,843)	541,818					
<b>Non-Operating Revenue (Expense):</b>							
Interest on Investments							
Accumulated Sick and Vacation							
Interest Expense							
Other Non-Operating Revenue (Expenses)							
<b>Net Income (Loss) Before Transfers</b>	(489,843)	541,818					
<b>Transfers:</b>							
Capital Expenditures	313,108	(128,167)			(184,941)		
Bond Principal	17,049						
Budget Appropriations			7,194		377,137		
Other Transfers			(7,070)				
<b>Increase/(Decrease) in Net Position</b>	(159,686)	413,651	124		192,196		
<b>Net Position - Dec. 1, 2020</b>	25,245,734	330,642	2,811	42,840	311,445	375,000	10,000
<b>Net Position - November 30, 2021</b>	25,086,048	744,293	2,935	42,840	503,641	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, 2021

	Designated for Post-Employment Benefits Fund	Unrestricted Designated Compensated Absences	Undesignated	Total
<b>Operating Revenue:</b>				
Service Charges		2,395,352		2,395,352
Connection Fees			541,818	541,818
Miscellaneous			27,068	27,068
<b>Total Operating Revenue</b>	-	-	2,422,420	2,964,238
<b>Operating Expense:</b>				
Salaries and Wages		702,551		702,551
Fringe Benefits		339,738		339,738
Other Expenses		510,966		510,966
Depreciation Expense			489,843	489,843
<b>Total Operating Expense</b>	-	-	1,533,255	2,043,098
<b>Operating Income</b>	-	-	869,165	921,140
<b>Non-Operating Revenue (Expense):</b>				
Interest on Investments			85,813	85,813
Accumulated Sick and Vacation Interest Expense	20,449		(34,767)	20,449
Other Non-Operating Revenue (Expenses)			(31,740)	(31,740)
	20,449	-	19,306	39,755
<b>Net Income (Loss) Before Transfers</b>	20,449	-	888,471	960,895
<b>Transfers:</b>				
Capital Expenditures			-	-
Bond Principal			(17,049)	-
Budget Appropriations	48,000		(432,331)	-
Other Transfers			7,070	-
<b>Increase/(Decrease) in Net Position</b>	68,449	-	446,161	960,895
<b>Net Position - Dec. 1, 2020</b>	583,197	50,000	(2,008,766)	24,942,903
<b>Net Position - November 30, 2021</b>	651,646	50,000	(1,562,605)	25,903,798

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, 2021

	Net Investment in Capital Assets	Construction Fund (Reserve for Future Capital Projects)	Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Rate Stabilization Reserve	Operating Reserve
<b>Operating Revenue:</b>							
Service Charges		136,343					
Connection Fees							
Miscellaneous							
<b>Total Operating Revenue</b>		136,343					
<b>Operating Expense:</b>							
Salaries and Wages	551,733						
Fringe Benefits	551,733						
Other Expenses							
Depreciation Expense							
<b>Total Operating Expense</b>	1,103,466						
<b>Operating Income</b>	(551,733)	136,343					
<b>Non-Operating Revenue (Expense):</b>							
Interest on Investments							
Accumulated Sick and Vacation							
Interest Expense							
Other Non-Operating Revenue (Expenses)							
<b>Net Income (Loss) Before Transfers</b>	(551,733)	136,343					
<b>Transfers:</b>							
Capital Expenditures	501,211				(501,211)		
Bond Principal	23,544						
Budget Appropriations			9,173		728,024		
Other Transfers			(9,001)				
<b>Increase/(Decrease) in Net Position</b>	(26,978)	136,343	172		226,813		
<b>Net Position - Dec. 1, 2020</b>	19,430,745	2,547,147	3,882	59,160	1,378,393	375,000	10,000
<b>Net Position - November 30, 2021</b>	19,403,767	2,683,490	4,054	59,160	1,605,206	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, 2021**

	Designated for Post-Employment Benefits Fund	Unrestricted Designated Compensated Absences	Undesignated	Total
<b>Operating Revenue:</b>				
Service Charges			2,715,387	2,715,387
Connection Fees			136,343	136,343
Miscellaneous			107,805	107,805
<b>Total Operating Revenue</b>	-	-	2,823,192	2,823,192
<b>Operating Expense:</b>				
Salaries and Wages			716,080	716,080
Fringe Benefits			339,738	339,738
Other Expenses			729,141	729,141
Depreciation Expense			551,733	551,733
<b>Total Operating Expense</b>	-	-	1,784,959	1,784,959
<b>Operating Income</b>	-	-	1,038,233	1,038,233
<b>Non-Operating Revenue (Expense):</b>				
Interest on Investments			85,815	85,815
Accumulated Sick and Vacation	20,450		(48,011)	20,450
Interest Expense			(28,897)	(48,011)
Other Non-Operating Revenue (Expenses)	20,450	-	8,907	(28,897)
<b>Net Income (Loss) Before Transfers</b>	20,450	-	1,047,140	29,357
<b>Transfers:</b>				
Capital Expenditures			-	-
Bond Principal			(23,544)	-
Budget Appropriations	48,000		(785,197)	-
Other Transfers			9,001	-
<b>Increase/(Decrease) in Net Position</b>	68,450	-	247,400	652,200
<b>Net Position - Dec. 1, 2020</b>	583,198	50,000	391,637	24,829,162
<b>Net Position - November 30, 2021</b>	651,648	50,000	639,037	25,481,362



**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, 2021**

	Developer Escrow Accounts	Construction Aid Accounts	Bond Service Account	Bond Reserve Account	Renewal and Replacement Account
<b>Cash, Cash Equivalents and Investments -</b>					
<b>December 1, 2020</b>	77,796	2,808,901	123,682	102,921	53,060
<b>Cash Receipts:</b>					
Interest on Investments		15,767	103	1,139	21
Service Charges					
Other Receipts		678,161			
Developer Escrow Receipts	130,439				
Transfers			123,554		501,211
<b>Total Cash Receipts</b>	130,439	693,928	123,657	1,139	501,232
<b>Cash and Investments Available</b>	208,235	3,502,829	247,339	104,060	554,292
<b>Cash Disbursements:</b>					
Loan Principal Payments			40,593		
Interest Payments			83,074		
Operations					
Capital and Other Expenses		184,941			501,211
Developer Escrow Payments	96,087				
Transfers				1,128	
<b>Total Cash Disbursements</b>	96,087	184,941	123,667	1,128	501,211
<b>Cash, Cash Equivalents and Investments -</b>					
<b>November 30, 2021</b>	112,148	3,317,888	123,672	102,932	53,081
<b>Analysis of Balance:</b>					
Cash and Cash Equivalents	112,148	-	-	-	-
Investments	-	3,317,888	123,672	102,921	53,081
	112,148	3,317,888	123,672	102,921	53,081
Unrestricted	(8,932)	(109,895)	103,060	921	(2,055,766)
Restricted	121,080	3,427,783	20,612	102,000	2,108,847
	112,148	3,317,888	123,672	102,921	53,081
Water	56,074	1,404,450	61,841	51,461	26,540
Sewer	56,074	1,404,451	61,841	51,460	26,541
	112,148	2,808,901	123,682	102,921	53,081

**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, 2021**

	Rate Stabilization Account	Operating Reserve Account	Post-Employment Benefits Account	Operating / Revenue Accounts	Total
<b>Cash, Cash Equivalents and Investments - December 1, 2020</b>	824,606	503,031	1,105,408	8,243,820	13,843,225
<b>Cash Receipts:</b>					
Interest on Investments	5,018	4,417	19,343	125,820	171,628
Service Charges		5,103,663			5,103,663
Other Receipts		134,873			813,034
Developer Escrow Receipts					130,439
Transfers			254,986	5,223,779	6,103,530
<b>Total Cash Receipts</b>	<u>5,018</u>	<u>5,242,953</u>	<u>274,329</u>	<u>5,349,599</u>	<u>12,322,294</u>
<b>Cash and Investments Available</b>	<u>829,624</u>	<u>5,745,984</u>	<u>1,379,737</u>	<u>13,593,419</u>	<u>26,165,519</u>
<b>Cash Disbursements:</b>					
Loan Principal Payments					40,593
Interest Payments					83,074
Operations				3,307,980	3,307,980
Capital and Other Expenses				202,666	888,818
Developer Escrow Payments					96,087
Transfers		5,223,779		878,623	6,103,530
<b>Total Cash Disbursements</b>	<u>-</u>	<u>5,223,779</u>	<u>-</u>	<u>4,389,269</u>	<u>10,520,082</u>
<b>Cash, Cash Equivalents and Investments - November 30, 2021</b>	<u>829,624</u>	<u>522,205</u>	<u>1,379,737</u>	<u>9,204,150</u>	<u>15,645,437</u>
<b>Analysis of Balance:</b>					
Cash and Cash Equivalents	-	522,205	-	2,132,288	2,766,641
Investments	829,624	-	1,379,737	7,071,973	12,878,896
	<u>829,624</u>	<u>522,205</u>	<u>1,379,737</u>	<u>9,204,261</u>	<u>15,645,537</u>
Unrestricted	79,624	502,205	1,379,767	9,204,231	9,095,215
Restricted	750,000	20,000	-	-	6,550,322
	<u>829,624</u>	<u>522,205</u>	<u>1,379,767</u>	<u>9,204,231</u>	<u>15,645,537</u>
Water	414,812	261,103	689,868	2,172,824	5,138,973
Sewer	414,812	261,102	689,869	7,540,414	10,506,564
	<u>829,624</u>	<u>522,205</u>	<u>1,379,737</u>	<u>9,713,238</u>	<u>15,645,537</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, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Revenues:</b>					
<b>Operating Revenues:</b>					
Water User Charges and Fees	2,154,240	2,154,240	2,395,352	241,112	2,311,071
Connection Fees	-	-	541,818	541,818	160,653
Miscellaneous	35,700	35,700	27,068	(8,632)	27,192
<b>Non-operating Revenues:</b>					
Interest on Investments	25,000	25,000	85,813	60,813	95,052
<b>Unrestricted Net Position</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>	<b>-</b>
<b>Total Revenues</b>	<b>2,414,940</b>	<b>2,414,940</b>	<b>3,250,051</b>	<b>835,111</b>	<b>2,593,968</b>

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

**WATER FUND**

**FOR THE YEAR ENDED NOVEMBER 30, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Expenses:</b>					
<b>Operating Expenses:</b>					
<b>Administration:</b>					
Salaries and Wages	203,316	203,316	195,250	8,066	218,667
Fringe Benefits:					
Public Employees' Retirement System	24,875	24,875	23,718	1,157	21,157
Social Security Tax	15,625	15,625	12,860	2,765	13,325
Health Benefits	66,293	66,293	45,834	20,459	44,750
Dental Plan	3,050	3,050	2,404	646	2,506
Unemployment and Disability Insurance	112	112	119	(7)	130
Other Expenses:					
Customer Refunds	600	600	-	600	-
Postage	8,700	8,700	7,541	1,159	6,531
Telephone and Lease Lines	8,000	8,000	6,704	1,296	6,539
Property and Liability Insurance	65,000	65,000	55,826	9,174	56,015
Administrative Supplies and Services	34,000	34,000	32,897	1,103	26,087
Professional Services	77,000	77,000	57,735	19,265	60,085
General Expenses	10,200	10,200	4,455	5,745	5,819
Property Taxes	1,060	1,060	1,009	51	981
Education and Training	11,500	11,500	3,848	7,652	5,397
Regulatory Fees	36,000	36,000	23,309	12,691	23,281
<b>Sub-total Administrative</b>	<b>565,331</b>	<b>565,331</b>	<b>473,509</b>	<b>91,822</b>	<b>491,270</b>

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

**WATER FUND**

**FOR THE YEAR ENDED NOVEMBER 30, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Operating Expenses (continued):</b>					
<b>Cost of Providing Services:</b>					
Salaries and Wages	609,272	609,272	507,301	101,971	486,566
Fringe Benefits:					
Public Employees' Retirement System	74,625	74,625	71,153	3,472	63,472
Social Security Tax	46,875	46,875	38,579	8,296	39,974
Health Benefits	198,878	198,878	137,501	61,377	134,250
Dental Plan	9,150	9,150	7,211	1,939	7,519
Unemployment and Disability Insurance	338	338	359	(21)	391
Other Expenses:					
Reservoirs, Wells and Maint. Supplies	28,500	28,500	22,909	5,591	18,222
Filtration Plant:					
Chemicals	42,000	42,000	19,353	22,647	22,766
Electricity	230,000	230,000	171,461	58,539	181,962
Laboratory	26,500	26,500	22,990	3,510	11,495
Fuel Oil	7,700	7,700	4,992	2,708	1,893
Distribution System:					
Maintenance and Supplies	65,000	65,000	51,511	13,489	56,441
Gasoline	15,000	13,000	11,928	1,072	6,538
Vehicles and Equipment Maint.	11,500	13,500	12,498	1,002	8,762
<b>Sub-total Cost of Providing Services</b>	<b>1,365,338</b>	<b>1,365,338</b>	<b>1,079,746</b>	<b>285,592</b>	<b>1,040,251</b>
<b>Sub-total Operating</b>	<b>1,930,669</b>	<b>1,930,669</b>	<b>1,553,255</b>	<b>377,414</b>	<b>1,531,521</b>

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

**WATER FUND**

**FOR THE YEAR ENDED NOVEMBER 30, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Other Costs Funded by Operating Revenues:</b>					
Debt Service:					
Interest Expense	34,891	34,891	34,767	124	35,523
Loan Principal	17,049	17,049	17,049	-	16,327
Reserves:					
Renewal and Replacement Reserve	377,137	377,137	377,137	-	262,734
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	7,194	7,194	7,194	-	7,194
<b>Sub-total Other Costs</b>	<b>484,271</b>	<b>484,271</b>	<b>484,147</b>	<b>124</b>	<b>369,778</b>
<b>Total Costs Funded by Operating Revenues</b>	<b>2,414,940</b>	<b>2,414,940</b>	<b>2,037,402</b>	<b>377,538</b>	<b>1,901,299</b>
<b>Add: Excess / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>1,212,649</b>	<b>1,212,649</b>	<b>692,669</b>
	<b>2,414,940</b>	<b>2,414,940</b>	<b>3,250,051</b>	<b>1,590,187</b>	<b>2,593,968</b>

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

WATER FUND

FOR THE YEAR ENDED NOVEMBER 30, 2021

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
<b>Excess of Revenues Over Expenses:</b>	-	-	1,212,649		692,669
<b>Reconciliation of Budgetary Basis to GAAP:</b>					
Depreciation			(489,843)		(441,220)
Pension Adjustment			-		135,576
OPEB Adjustment			-		56,526
Accumulated Sick and Vacation			20,449		7,886
Renewal and Replacement Reserve			377,137		262,734
Future Health Benefits			48,000		48,000
Debt Service Coverage			7,194		7,194
Bond Principal			17,049		16,327
Refund of Connection Fees			-		-
Other Non-Operating Revenues (Expenses)			(31,740)		(2,865)
Unrestricted Net Position			(200,000)		-
<b>Total Adjustments</b>			<u>(251,754)</u>		<u>90,158</u>
<b>Change in Net Position</b>			<u>960,895</u>		<u>782,827</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, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Revenues:</b>					
<b>Operating Revenues:</b>					
Sewer User Charges and Fees	2,661,180	2,661,180	2,715,387	54,207	2,646,078
Connection Fees	-	-	136,343	136,343	222,224
Miscellaneous	96,900	96,900	107,805	10,905	90,293
<b>Non-operating Revenues:</b>					
Interest on Investments	25,000	25,000	85,815	60,815	95,052
<b>Unrestricted Net Position</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>	<b>-</b>
<b>Total Revenues</b>	<b>2,983,080</b>	<b>2,983,080</b>	<b>3,245,350</b>	<b>262,270</b>	<b>3,053,647</b>



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

**SEWER FUND**

**FOR THE YEAR ENDED NOVEMBER 31, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Expenses:</b>					
<b>Operating Expenses:</b>					
<b>Administration:</b>					
Salaries and Wages	203,316	203,316	195,250	8,066	218,667
Fringe Benefits:					
Public Employees' Retirement System	26,646	26,646	25,406	1,240	23,696
Social Security Tax	16,737	16,737	13,775	2,962	14,924
Health Benefits	70,993	70,993	49,097	21,896	49,420
Dental Plan	3,267	3,267	2,575	692	2,807
Unemployment and Disability Insurance	121	121	128	(7)	146
<b>Other Expenses:</b>					
Customer Refunds	400	400	-	400	-
Postage	8,700	8,700	6,561	2,139	5,680
Telephone and Lease Lines	8,000	8,000	6,704	1,296	6,538
Property and Liability Insurance	65,000	65,000	55,826	9,174	56,015
Administrative Supplies and Services	31,000	31,000	30,126	874	26,579
Professional Services	73,000	73,000	43,713	29,287	43,619
General Expenses	10,200	10,200	2,864	7,336	5,784
Property Taxes	9,900	9,900	8,843	1,057	8,698
Education and Training	13,500	13,500	4,984	8,516	5,932
Regulatory Fees	27,000	27,000	17,013	9,987	19,024
<b>Sub-total Administrative</b>	<b>567,780</b>	<b>567,780</b>	<b>462,865</b>	<b>104,915</b>	<b>487,529</b>

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

**SEWER FUND**

**FOR THE YEAR ENDED NOVEMBER 31, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Operating Expenses (continued):</b>					
<b>Cost of Providing Services:</b>					
Salaries and Wages	556,020	556,020	520,830	35,190	539,126
Fringe Benefits:					
Public Employees' Retirement System	72,864	72,864	69,465	3,399	60,933
Social Security Tax	45,768	45,768	37,664	8,104	38,375
Health Benefits	194,159	194,159	134,238	59,921	127,080
Dental Plan	8,934	8,934	7,040	1,894	7,217
Unemployment and Disability Insurance	331	331	350	(19)	375
Other Expenses:					
Pollution Control Plant:					
Maintenance and Supplies	56,000	56,000	45,619	10,381	47,306
Chemicals	175,000	175,000	154,417	20,583	143,674
Electricity	155,000	155,000	116,954	38,046	111,721
Laboratory	25,500	25,500	21,927	3,573	18,681
Fuel Oil	15,000	15,000	12,447	2,553	8,148
Sludge Disposal	210,000	210,000	163,468	46,532	161,019
Collection System:					
Maintenance and Supplies	18,000	18,000	17,584	416	8,210
Gasoline	15,000	15,000	10,519	4,481	7,212
Vehicles and Equipment Maint.	10,800	10,800	9,572	1,228	9,813
<b>Sub-total Cost of Providing Services</b>	<b>1,558,376</b>	<b>1,558,376</b>	<b>1,322,094</b>	<b>236,282</b>	<b>1,288,890</b>
<b>Sub-total Operating</b>	<b>2,126,156</b>	<b>2,126,156</b>	<b>1,784,959</b>	<b>341,197</b>	<b>1,776,419</b>

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

**SEWER FUND  
FOR THE YEAR ENDED NOVEMBER 31, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Realized</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Other Costs Funded by Operating Revenues:</b>					
Debt Service:					
Interest Expense	48,183	48,183	48,011	172	49,057
Loan Principal	23,544	23,544	23,544	-	22,547
Reserves:					
Renewal and Replacement Reserve	728,024	728,024	728,024	-	538,819
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	9,173	9,173	9,173	-	9,172
<b>Sub-total Other Costs</b>	<b>856,924</b>	<b>856,924</b>	<b>856,752</b>	<b>172</b>	<b>667,595</b>
<b>Total Costs Funded by Operating Revenues</b>	<b>2,983,080</b>	<b>2,983,080</b>	<b>2,641,711</b>	<b>341,369</b>	<b>2,444,014</b>
<b>Add: Excess / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>603,639</b>	<b>603,639</b>	<b>609,633</b>
	<b>2,983,080</b>	<b>2,983,080</b>	<b>3,245,350</b>	<b>945,008</b>	<b>3,053,647</b>

**TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
SEWER FUND  
FOR THE YEAR ENDED NOVEMBER 31, 2021**

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
<b>Excess of Revenues Over Expenses:</b>	-	-	603,639		609,633
<b>Reconciliation of Budgetary Basis to GAAP:</b>					
Depreciation			(551,733)		(509,737)
Pension Adjustment			-		135,576
OPEB Adjustment			-		56,526
Accumulated Sick and Vacation			20,450		7,886
Renewal and Replacement Reserve			728,024		538,819
Future Health Benefits			48,000		48,000
Debt Service Coverage			9,173		9,172
Bond Principal			23,544		22,547
Refund of Connection Fees			-		-
Other Non-Operating Revenues (Expenses)			(28,897)		-
Unrestricted Net Position			(200,000)		-
<b>Total Adjustments</b>			<u>48,561</u>		<u>308,789</u>
<b>Change in Net Position</b>			<u>652,200</u>		<u>918,422</u>

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, 2021

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Paid or Charged	Excess / (Deficit)
<b>Financing Sources:</b>				
Water Fund:				
Debt Authorization	200,000	200,000	128,167	71,833
Renewal and Replacement Reserve	500,000	500,000	-	500,000
Other Sources	-	-	184,941	(184,941)
Sewer Fund:				
Unrestricted Net Position	-	-	-	-
Renewal and Replacement Reserve	1,815,000	1,815,000	501,211	1,313,789
Other Sources	785,000	785,000	-	785,000
	<u>3,300,000</u>	<u>3,300,000</u>	<u>814,319</u>	<u>2,485,681</u>
<b>Capital Outlays:</b>				
Water Fund:				
Equip/Valve/Itron/Veh. Replacement (1)	270,000	270,000	184,941	85,059
Well/Pump Station Improvements (1)	60,000	60,000	-	60,000
Water Main/Soil Disposal/Paving (1)	170,000	170,000	-	170,000
New 1.0 MG Tank (3)	200,000	200,000	128,167	71,833
Sewer Fund:				
Equip. Replacement/Improvements (1)	675,000	675,000	501,211	173,789
Sewer Jet/Camera/Vehicles/Itron (1)	40,000	40,000	-	40,000
Disinfection System Replacement (1)	1,100,000	1,100,000	-	1,100,000
Nat. Gas Conversion/Generators (1)	785,000	785,000	-	785,000
	<u>3,300,000</u>	<u>3,300,000</u>	<u>814,319</u>	<u>2,485,681</u>
<b>Total Capital Outlays</b>	<u>3,300,000</u>	<u>3,300,000</u>	<u>814,319</u>	<u>2,485,681</u>
<b>Total Costs Funded by Capital Revenue</b>	<u>3,300,000</u>	<u>3,300,000</u>	<u>814,319</u>	<u>2,485,681</u>
<b>Add: Excess</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,300,000</u>	<u>3,300,000</u>	<u>814,319</u>	<u>2,485,681</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, 2020	Issued	Redeemed	Balance Nov. 30, 2021
			Date	Amount				
Diamond Hill Project	5/1/2007	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				
					801,733		17,049	784,684
					801,733		17,049	784,684
Current Portion					17,049			17,803
Noncurrent Portion					784,684			766,881
					801,733			784,684

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, 2020	Issued	Redeemed	Balance Nov. 30, 2021
			Date	Amount				
Diamond Hill Project USDA Loan Financing	5/1/2007	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						
					1,107,154		23,544	1,083,610
					1,107,154		23,544	1,083,610
Current Portion					22,547			24,585
Noncurrent Portion					1,084,607			1,059,025
					1,107,154			1,083,610

**ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS**

The following officials were in office at November 31, 2021:

<u>Name</u>	<u>Office</u>
William Kuster, Jr.	Chairperson
William Harper	Vice Chairperson
Gerald DiMaio, Jr.	Board Member
John DiMaio, Jr.	Board Member
Ciro Lala	Board Member
Kathleen Corcoran	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.





**WIELKOTZ & COMPANY** LLC  
CERTIFIED PUBLIC ACCOUNTANTS

Steven D. Wielkocz, CPA, RMA, PSA  
Matthew B. Wielkocz, CPA, PSA  
Paul J. Cuva, CPA, RMA, PSA  
James J. Cerullo, CPA, RMA, PSA  
Thomas M. Ferry, CPA, RMA, PSA

Headquarters  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
(973)-835-7900  
office@w-cpa.com

Rockaway Office  
100 Enterprise Drive  
Suite 301  
Rockaway, New Jersey 07866  
(973)-835-7900

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Hackettstown Municipal Utilities Authority, as of and for the year ended November 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated May 5, 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.

*Wielkatz & Company, LLC*

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

May 5, 2022



**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2021**

**FINDING: 2021-01**

**STATEMENT OF CONDITION**

The Authority has not updated the net other post-employment benefit obligation, net pension obligation, pension-related deferred outflow, accounts payable – pension or pension-related deferred inflow accounts to a measurement date acceptable under current accounting standards.

**CRITERIA**

Government Accounting Standards Board (GASB) Statements No. 68 and No. 75 require a state or local government employer to recognize a net pension liability and other post-employment benefit obligation measured as of a date no earlier than the end of its prior fiscal year.

**EFFECT**

The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources and net position has not been determined.

**CAUSE**

The Authority relies on valuations performed annually by an actuary hired by the State of New Jersey. As of the date of this report, there has been no indication as to when the actuary's valuation of the Public Employee's Retirement System (PERS) or State of New Jersey Health Benefit System would be complete.

**RECOMMENDATION**

The Authority should update all future financial statements to comply with GASB's No. 68 and No. 75 once the actuary's valuation reports are available.

**MANAGEMENT'S RESPONSE**

Calculation of the net other post-employment benefit obligations, net pension obligation, pension-related deferred outflow, accounts payable – pension and pension-related deferred inflow amounts are out of the Authority's control. In order to comply with the requirements of their 1967 General Bond Resolution, management has opted to release the report without updating the figures in accordance with the measurement guidelines of GASB's No. 68 and No. 75.

**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