

**THE TOWN OF HACKETTSTOWN
MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE
TOWN OF HACKETTSTOWN)
REPORT OF AUDIT
FOR THE YEAR ENDED
NOVEMBER 30, 2023**

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

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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, 2023, 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, 2023, 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, deferred outflow, accounts payable, and deferred inflow accounts to a measurement date acceptable under current accounting standards for the year ended November 30, 2023. 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 March 25, 2024 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

March 25, 2024



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, 2023 and 2022. 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 \$54,563,577 (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 \$52,991,001.
- Total combined net position are comprised of the following:
 - (1) Net investment in capital assets of \$44,587,009 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 \$8,418,701 restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$1,557,867 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total combined liabilities of the Authority decreased by \$649,990 to \$9,976,672 during the fiscal year.

Overview of the Financial Statements

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

Required Financial Statements

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

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

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

Net Position

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

The Authority's combined net position at fiscal year-end are \$54,563,577. This is a \$1,572,576 increase over last year's restated net position of \$52,991,001. 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 2023</u>	<u>Restated FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current Assets:				
Unrestricted:				
Cash and Investments	10,160,209	9,699,083	461,126	4.75
Change Fund	100	100	0	0.00
Accounts Receivable	360,605	251,917	108,688	43.14
Prepaid Expenses	38,653	41,496	(2,843)	(6.85)
NJIB Receivable	137,005	614,533	(477,528)	(77.71)
Restricted:				
Cash and Investments	<u>8,518,287</u>	<u>7,663,843</u>	<u>854,444</u>	11.15
Total Current Assets	<u>19,214,859</u>	<u>18,270,972</u>	<u>943,887</u>	5.17
Noncurrent Assets:				
Capital Assets				
Capital Assets Not Being Depreciated:				
Land	747,800	747,800	0	0.00
Capital Assets	76,093,755	75,653,249	440,506	0.58
Less: Accumulated Depreciation	(34,230,819)	(33,458,761)	(772,058)	2.31
Construction in Progress	<u>4,343,452</u>	<u>3,511,348</u>	<u>832,104</u>	23.70
				1.08
Total Capital Assets	<u>46,954,188</u>	<u>46,453,636</u>	<u>500,552</u>	
Total Assets	<u>66,169,047</u>	<u>64,724,608</u>	<u>1,444,439</u>	2.23
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB Deferred Outflows	<u>2,227,153</u>	<u>2,373,128</u>	<u>(145,975)</u>	(6.15)

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 2023</u>	<u>Restated FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
LIABILITIES				
Current Liabilities:				
Unrestricted:				
Accounts Payable	119,774	142,425	(22,651)	(15.90)
Accounts Payable - Pension and OPEB	237,945	402,745	(164,800)	(40.92)
NJIB Note Payable	<u>722,542</u>	<u>722,542</u>	<u>0</u>	100.00
	<u>1,080,261</u>	<u>1,267,712</u>	<u>(187,451)</u>	(14.79)
Restricted:				
Accrued Interest on Debt	12,991	13,312	(321)	(2.41)
Escrow Deposits Payable	86,595	86,116	479	0.56
Loans Payable - Current Portion	<u>46,221</u>	<u>44,264</u>	<u>1,957</u>	4.42
	<u>145,807</u>	<u>143,692</u>	<u>2,115</u>	1.47
Noncurrent Liabilities:				
Compensated Absences Payable	187,561	248,941	(61,380)	(24.66)
Net Pension Liability	2,723,848	2,750,809	(26,961)	(0.98)
Net OPEB Liability	4,103,774	4,433,866	(330,092)	(7.44)
Loans Payable	<u>1,735,421</u>	<u>1,781,642</u>	<u>(46,221)</u>	(2.59)
Total Noncurrent Liabilities	<u>8,750,604</u>	<u>9,215,258</u>	<u>(464,654)</u>	(5.04)
Total Liabilities	<u>9,976,672</u>	<u>10,626,662</u>	<u>(649,990)</u>	(6.12)
DEFERRED INFLOWS OF RESOURCES				
Pension and OPEB Deferred Inflows	<u>3,855,951</u>	<u>3,480,073</u>	<u>375,878</u>	10.80
NET POSITION				
Net Investment in Capital Assets	44,587,009	44,627,730	(40,721)	(0.09)
Restricted	8,418,701	7,564,415	854,286	11.29
Unrestricted	<u>1,557,867</u>	<u>798,856</u>	<u>759,011</u>	95.01
Total Net Position	<u>54,563,577</u>	<u>52,991,001</u>	<u>1,572,576</u>	2.97

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

Net Position (Continued)

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$1,572,576.

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

	<u>FY 2023</u>	<u>Restated FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue:				
Service Charges	5,491,645	5,165,783	325,862	6.31
Connection Fees	190,649	1,155,559	(964,910)	(83.50)
Miscellaneous	<u>184,777</u>	<u>180,446</u>	<u>4,331</u>	100.00
Total Operating Revenue	<u>5,867,071</u>	<u>6,501,788</u>	<u>(634,717)</u>	(9.76)
Operating Expense:				
Salaries and Wages	1,633,192	1,528,067	105,125	6.88
Fringe Benefits	863,500	1,162,853	(299,353)	(25.74)
Other Expenses	1,319,712	1,236,380	83,332	6.74
Depreciation Expense	<u>1,075,417</u>	<u>1,070,420</u>	<u>4,997</u>	0.47
Total Operating Expense	<u>4,891,821</u>	<u>4,997,720</u>	<u>(105,899)</u>	(2.12)
Operating Income	<u>975,250</u>	<u>1,504,068</u>	<u>(528,818)</u>	(35.16)
Non-Operating Revenue (Expense):				
Interest on Investments	602,500	63,544	538,956	848.16
Accumulated Sick and Vacation	61,380	34,652	26,728	77.13
Interest Expense	(79,082)	(81,280)	2,198	(2.70)
Other Non-Operating Expenses	<u>12,528</u>	<u>84,857</u>	<u>(72,329)</u>	(85.24)
	<u>597,326</u>	<u>101,773</u>	<u>495,553</u>	486.92
Increase/(Decrease) in Net Position	1,572,576	1,605,841	(33,265)	(2.07)
Net Position - Dec. 1	<u>52,991,001</u>	<u>51,385,160</u>	<u>1,605,841</u>	3.13
Net Position - Nov. 30	<u>54,563,577</u>	<u>52,991,001</u>	<u>1,572,576</u>	2.97

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 2023 budget comparison for the water and sewer funds:

Budget vs. Actual
FY 2023 - Water Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,439,000	2,737,924	298,924
Non-Operating	22,000	301,250	279,250
Unrestricted Net Position	<u>300,000</u>	<u>300,000</u>	<u>0</u>
	<u>2,761,000</u>	<u>3,339,174</u>	<u>578,174</u>
Expenses:			
Operating	2,072,351	1,723,362	348,989
Non-Operating	<u>688,649</u>	<u>688,515</u>	<u>134</u>
	<u>2,761,000</u>	<u>2,411,877</u>	<u>349,123</u>
Income Before Depreciation	<u>0</u>	<u>927,297</u>	<u>927,297</u>

Budget vs. Actual
FY 2023 - Sewer Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,939,000	3,129,147	190,147
Non-Operating	22,000	301,250	279,250
Unrestricted Net Position	<u>200,000</u>	<u>200,000</u>	<u>0</u>
	<u>3,161,000</u>	<u>3,630,397</u>	<u>469,397</u>
Expenses:			
Operating	2,461,040	2,093,042	367,998
Non-Operating	<u>699,960</u>	<u>699,773</u>	<u>187</u>
	<u>3,161,000</u>	<u>2,792,815</u>	<u>368,185</u>
Income Before Depreciation	<u>0</u>	<u>837,582</u>	<u>837,582</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 2023, the Authority had invested \$76,841,555 in combined property, plant and equipment. The Authority's combined net property, plant and equipment at fiscal year end was \$46,954,188. This is an increase of \$500,552 over last year's combined net property, plant and equipment of \$46,453,636. A summary of the Authority's capital assets is presented in the following table:

Capital Assets - Water and Sewer Funds

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>
Land	747,800	747,800	0
Buildings/Force Mains/Interceptors, Vehicles and Equipment	<u>76,093,755</u>	<u>75,653,249</u>	<u>440,506</u>
Total Property, Plant and Equipment	76,841,555	76,401,049	440,506
Less: Accumulated Depreciation	<u>(34,230,819)</u>	<u>(33,458,761)</u>	<u>(772,058)</u>
Net Property, Plant and Equipment	42,610,736	42,942,288	(331,552)
Construction in Progress	<u>4,343,452</u>	<u>3,511,348</u>	<u>832,104</u>
Total Capital Assets	<u>46,954,188</u>	<u>46,453,636</u>	<u>500,552</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	1,472,000
Well/Pump Station Improvements	509,500
Water Main/Soil Disposal/Pavir	5,014,000
New 1.0 MG Tank/LSL Replacement	<u>3,300,000</u>
Total	<u>10,295,500</u>
Sewer:	
Equip. Replacement/Improvements	3,015,000
Clarifier & TF Reports	2,745,000
Vehicles/Paving/Sewer Rehab	500,000
Boiler Gas Conversion/Generator	<u>2,775,000</u>
Total	<u>9,035,000</u>
TOTAL	<u>19,330,500</u>

Debt Administration

As of November 30, 2023, the Authority had outstanding United States Department of Agriculture Rural Development Loans in the amount of \$1,781,642. The debt service schedule goes out to 2046. 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. The Authority also had a NJIB note payable at November 30, 2023 in the amount of \$722,542.

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, 2023**

EXHIBIT A
Page 1 of 3

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
<u>Unrestricted:</u>			
Cash and Cash equivalents	\$ 456,627	\$ 415,748	\$ 872,375
Investments	3,299,465	5,988,369	9,287,834
Change Fund	50	50	100
Accounts Receivable	172,158	188,447	360,605
Prepaid Expenses	32,940	5,713	38,653
NJIB Receivable	137,005	-	137,005
	<u>4,098,245</u>	<u>6,598,327</u>	<u>10,696,572</u>
 <u>Restricted:</u>			
Escrow Fund:			
Cash and Cash equivalents	43,297	43,298	86,595
Construction Aid Fund:			
Investments	1,145,022	3,395,466	4,540,488
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	1,393,975	1,604,617	2,998,592
Rate Stabilization Fund:			
Investments	375,000	375,000	750,000
Operating Reserve Fund:			
Cash and Cash equivalents	10,000	10,000	20,000
	<u>3,018,791</u>	<u>5,499,496</u>	<u>8,518,287</u>
 Non-Current Assets:			
<u>Capital Assets:</u>			
Land	350,000	397,800	747,800
Capital Assets	37,485,627	38,608,128	76,093,755
Less: Accumulated Depreciation	(14,567,499)	(19,663,320)	(34,230,819)
Construction in Progress	3,014,160	1,329,292	4,343,452
	<u>26,282,288</u>	<u>20,671,900</u>	<u>46,954,188</u>
 TOTAL ASSETS	 <u>\$ 33,399,324</u>	 <u>\$ 32,769,723</u>	 <u>\$ 66,169,047</u>

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

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)
STATEMENT OF NET POSITION
NOVEMBER 30, 2023

EXHIBIT A
Page 2 of 3

	Water Fund	Sewer Fund	Total
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows:			
Deferred Pension-Related Outflows	285,697	285,696	571,393
Deferred OPEB-Related Outflows	827,880	827,880	1,655,760
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,113,577	1,113,576	2,227,153
 <u>LIABILITIES</u>			
Current Liabilities:			
<u>Payable from Unrestricted Assets:</u>			
Accounts Payable and Accrued Liabilities	\$ 67,373	\$ 52,401	\$ 119,774
Accounts Payable - Pension-Related	118,973	118,972	237,945
NJIB Notes Payable	722,542	-	722,542
Total Payable from Unrestricted Assets	908,888	171,373	1,080,261
<u>Payable from Restricted Assets:</u>			
Accrued Interest Payable	5,456	7,535	12,991
Escrow Deposits Payable	43,297	43,298	86,595
Loans Payable - Current Portion	19,413	26,808	46,221
Total Payable from Restricted Assets	68,166	77,641	145,807
Non-Current Liabilities:			
Compensated Absences Payable	93,780	93,781	187,561
Net Pension Obligation	1,361,924	1,361,924	2,723,848
Net OPEB Obligation	2,051,887	2,051,887	4,103,774
Loans Payable - Long-Term Portion	728,877	1,006,544	1,735,421
Total Non-Current Liabilities	4,236,468	4,514,136	8,750,604
TOTAL LIABILITIES	5,213,522	4,763,150	9,976,672

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, 2023

EXHIBIT A
Page 3 of 3

	Water Fund	Sewer Fund	Total
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows:			
Deferred Pension-Related Inflows	754,712	754,712	1,509,424
Deferred OPEB-Related Inflows	1,173,263	1,173,264	2,346,527
TOTAL DEFERRED INFLOWS OF RESOURCES	1,927,975	1,927,976	3,855,951
<u>NET POSITION</u>			
Net Position:			
Net Investment in Capital Assets	24,948,461	19,638,548	44,587,009
Restricted:			
Construction Aid Fund	1,145,022	3,395,466	4,540,488
Current Debt Service	3,201	4,420	7,621
Future Debt Service	42,840	59,160	102,000
Renewal and Replacement	1,393,975	1,604,617	2,998,592
Rate Stabilization	375,000	375,000	750,000
Operating	10,000	10,000	20,000
Unrestricted:			
Designated	851,908	851,912	1,703,820
Undesignated	(1,399,003)	1,253,050	(145,953)
TOTAL NET POSITION	\$ 27,371,404	\$ 27,192,173	\$ 54,563,577

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, 2023**

EXHIBIT B

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenue:			
Service Charges	\$ 2,581,400	\$ 2,910,245	\$ 5,491,645
Connection Fees	115,680	74,969	190,649
Miscellaneous	40,844	143,933	184,777
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	2,737,924	3,129,147	5,867,071
	<hr/>	<hr/>	<hr/>
Operating Expenses:			
Salaries and Wages	730,660	902,532	1,633,192
Fringe Benefits	431,615	431,885	863,500
Other Expenses	561,087	758,625	1,319,712
Depreciation Expense	495,200	580,217	1,075,417
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	2,218,562	2,673,259	4,891,821
	<hr/>	<hr/>	<hr/>
Operating Income	519,362	455,888	975,250
	<hr/>	<hr/>	<hr/>
Non-Operating Revenue (Expenses):			
Interest on Investments	301,250	301,250	602,500
Accumulated Sick and Vacation	30,690	30,690	61,380
Interest Expense	(33,215)	(45,867)	(79,082)
Other Non-Operating Revenue (Expenses)	6,264	6,264	12,528
	<hr/>	<hr/>	<hr/>
Non-Operating Income (Loss)	304,989	292,337	597,326
	<hr/>	<hr/>	<hr/>
Change In Net Position	824,351	748,225	1,572,576
	<hr/>	<hr/>	<hr/>
Net Position - Dec. 1, 2022, As Previously Reported	26,560,533	\$ 26,457,429	53,017,962
	<hr/>	<hr/>	<hr/>
Prior Period Adjustments (GASB 75)	(13,480)	(13,481)	(26,961)
	<hr/>	<hr/>	<hr/>
Net Position - December 1, 2022, As Restated	26,547,053	\$ 26,443,948	52,991,001
	<hr/>	<hr/>	<hr/>
Net Position - November 30, 2023	\$ 27,371,404	\$ 27,192,173	\$ 54,563,577
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2023**

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash Received from Service Charges	\$ 2,530,159	2,852,798	\$ 5,382,957
Other Receipts	156,524	218,902	375,426
Cash Paid to Vendors and Employees	(1,724,764)	(2,110,969)	(3,835,733)
Net Cash Provided by Operating Activities	961,919	960,731	1,922,650
Cash Flow from Investing Activities:			
Interest Earned on Investments	301,250	301,250	602,500
Net Transfers (To) From Investments	(1,371,020)	(1,499,833)	(2,870,853)
Net Cash Provided by (used in) Investing Activities	(1,069,770)	(1,198,583)	(2,268,353)
Cash Flow from Financing Activities:			
Principal Payment on Loan	(18,591)	(25,673)	(44,264)
Interest Paid on Loan	(33,481)	(46,233)	(79,714)
Capital Expenditures Paid	(940,891)	(622,239)	(1,563,130)
NJIB Reimbursements	477,528		477,528
Net Cash Used in Financing Activities	(515,435)	(694,145)	(1,209,580)
Net Increase/(Decrease) in Cash and Cash Equivalents	(623,286)	(931,997)	(1,555,283)
Cash and Cash Equivalents - December 1, 2022	1,133,210	\$ 1,401,043	2,534,253
Cash and Cash Equivalents - November 30, 2023	\$ 509,924	\$ 469,046	\$ 978,970
 Analysis of Balance:			
Unrestricted	\$ 456,627	\$ 415,748	\$ 872,375
Restricted	53,297	53,298	106,595
	\$ 509,924	\$ 469,046	\$ 978,970

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, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING INCOME (LOSS)	\$ 519,362	\$ 455,888	\$ 975,250
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation Expense	495,200	580,217	1,075,417
Decrease (Increase) in Accounts Receivable	(51,241)	(57,447)	(108,688)
Decrease (Increase) in Prepaid Expenses	2,843		2,843
Increase (Decrease) in Accounts Payable	(4,484)	(18,167)	(22,651)
Increase (Decrease) in Escrow Deposits	239	240	479
Total Adjustments	<u>442,557</u>	<u>504,843</u>	<u>947,400</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 961,919</u>	<u>\$ 960,731</u>	<u>\$ 1,922,650</u>

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

Notes to Financial Statements

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023

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, 2023
(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, 2023
(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, 2023
(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, 2023
(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, 2023
(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, 2023
(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, 2023
(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 June 2022, the Government Accounting Standards Board issued GASB Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Authority is determining what effects, if any, this pronouncement will have on future financial statements.

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Authority is determining what effects, if any, this pronouncement will have on future financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

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

M. Recent Accounting Pronouncements, (continued)

In December 2023, the Government Accounting Standards Board issued GASB Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Commission is determining what effects, if any, this pronouncement 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, 2023, cash and cash equivalents of the Town of Hackettstown Municipal Utilities Authority consisted of the following:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Total</u>
Cash on Hand	\$100	\$100
Checking and Savings Accounts	<u>978,970</u>	<u>978,970</u>
	<u>\$979,070</u>	<u>\$979,070</u>
	<u>Analysis</u>	
Restricted Accounts	\$106,595	
Unrestricted Accounts	<u>872,475</u>	
	<u>\$979,070</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, 2023
(CONTINUED)

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

Deposits

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of November 30, 2023, \$-0- of the Authority's bank balance of \$983,166 was exposed to custodial risk.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 4. INVESTMENTS

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 4. INVESTMENTS, (continued)

The Town of Hackettstown Municipal Utilities Authority had the following investments valued at cost, which approximates fair value, at November 30, 2023:

<u>Investment Type</u>	<u>Face Amount</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in years)</u>		
			<u><1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of Deposit	\$3,149,000	\$3,147,736	\$2,651,241	\$496,495	
Government and Other Bonds	9,364,000	9,177,407	7,746,820	1,430,587	
Money Market Funds, Misc.	<u>5,366,040</u>	<u>5,374,383</u>	<u>5,374,383</u>		
	<u>\$17,879,040</u>	<u>\$17,699,526</u>	<u>\$15,772,444</u>	<u>\$1,927,082</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
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Reference is made to Note 2 for information related to property. A summary of property, plant and equipment as of November 30, 2023 is as follows:

	<u>Balance</u> <u>Nov. 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2023</u>
Capital Assets, Not Being Depreciated:				
Land	\$747,800	\$	\$	\$747,800
Construction in Progress	<u>3,511,348</u>	<u>832,104</u>	<u> </u>	<u>4,343,452</u>
	<u>4,259,148</u>	<u>832,104</u>	<u>0</u>	<u>5,091,252</u>
Capital Assets, Being Depreciated:				
Infrastructure	45,781,695			45,781,695
Building and Improvements	20,450,799	8,862		20,459,661
Vehicles	967,701	515,829	258,335	1,225,195
Machinery and Equipment	8,453,054	241,550	67,400	8,627,204
Less: Accumulated Depreciation	<u>(33,458,761)</u>	<u>(1,075,417)</u>	<u>(303,359)</u>	<u>(34,230,819)</u>
	<u>42,194,488</u>	<u>(309,176)</u>	<u>22,376</u>	<u>41,862,936</u>
Capital Assets	<u>\$46,453,636</u>	<u>\$522,928</u>	<u>\$22,376</u>	<u>\$46,954,188</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, 2023, the Authority had the following loan outstanding:

	<u>Balance</u> <u>Nov. 30, 2022</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>Nov. 30, 2023</u>
USDA Rural Development Loan:				
Water Portion	\$766,881	\$	\$18,591	\$748,290
Sewer Portion	<u>1,059,025</u>	<u> </u>	<u>25,673</u>	<u>1,033,352</u>
	<u>\$1,825,906</u>	<u>\$</u>	<u>\$44,264</u>	<u>\$1,781,642</u>

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 6. LOAN PAYABLE, (continued)

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

Year Ending <u>Nov. 30,</u>	<u>Water</u>		<u>Sewer</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$19,413	\$32,528	\$26,808	\$44,919	\$46,221	\$77,447
2025	20,272	31,669	27,994	43,733	48,266	75,402
2026	21,168	30,772	29,232	42,495	50,400	73,267
2027	22,104	29,836	30,525	41,202	52,629	71,038
2028	23,082	28,859	31,875	39,852	54,957	68,711
2029	24,103	27,838	33,285	38,443	57,388	66,281
2030	25,169	26,772	34,757	36,970	59,926	63,742
2031	26,282	25,658	36,294	35,433	62,576	61,091
2032	27,445	24,496	37,900	33,828	65,345	58,324
2033	28,658	23,282	39,576	32,152	68,234	55,434
2034	29,926	22,015	41,326	30,401	71,252	52,416
2035	31,249	20,691	43,154	28,573	74,403	49,264
2036	32,632	19,309	45,063	26,665	77,695	45,974
2037	34,075	17,866	47,056	24,672	81,131	42,538
2038	35,582	16,359	49,137	22,591	84,719	38,950
2039	37,156	14,785	51,310	20,417	88,466	35,202
2040	38,799	13,142	53,579	18,148	92,378	31,290
2041	40,515	11,426	55,949	15,778	96,464	27,204
2042	42,307	9,634	58,424	13,303	100,731	22,937
2043	44,178	7,763	61,008	10,720	105,186	18,483
2044	46,132	5,809	63,706	8,021	109,838	13,830
2045	48,172	3,768	66,524	5,204	114,696	8,972
2046	49,871	1,091	68,870	1,507	118,741	2,598
	<u>\$748,290</u>	<u>\$445,368</u>	<u>\$1,033,352</u>	<u>\$615,027</u>	<u>\$1,781,642</u>	<u>\$1,060,395</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, 2023
(CONTINUED)

NOTE 7. PENSION

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 7. PENSION, (continued)

Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

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

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

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

Contribution Requirements

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

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 7. PENSION, (continued)

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

<u>Three Year Trend Information for PERS</u>		
<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
11/30/23	\$230,208	100%
11/30/21	217,718	100%
11/30/21	189,108	100%

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

Public Employees Retirement System (PERS)

At November 30, 2023, the Authority reported a liability of \$2,723,848 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2022, the Authority's proportion was 0.0180490351 percent, which was a decrease of 0.0005416048 percent from its proportion measured as of June 30, 2020.

For the year ended November 30, 2022, the Authority recognized pension expense of \$(149,912). At November 30, 2022, 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
YEAR ENDED NOVEMBER 30, 2023
(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)

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumptions	\$8,439	\$786,021
Net difference between projected and actual earnings on pension plan investments	112,738	250,018
Changes in proportion and differences between Authority contributions and proportionate share of contributions	212,271	473,385
Authority contributions subsequent to the measurement date	<u>237,945</u>	
Total	<u>\$571,393</u>	<u>\$1,509,424</u>

The \$237,945 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, 2023, the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability in the year ended November 30, 2023. 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:	
2023	\$(233,649)
2024	(119,036)
2025	(58,052)
2026	126,647
2027	(278)

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 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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, 2023 is as follows:

	<u>Nov. 30, 2023</u>
Collective deferred outflows of resources	\$1,660,772,008
Collective deferred inflows of resources	3,236,303,935
Collective net pension liability	15,219,184,920
Authority's Proportion	0.0180490351%

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75-6.55% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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, 2023
(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, 2022) 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, 2022 are summarized in the following table:

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 100% 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, 2023
(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, 2022, 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, 2022		
	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	\$3,528,982	\$2,723,848	\$2,081,346

Pension Plan Fiduciary Net Position

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

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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.

The Authority's policy of providing health coverage to retirees and his/her spouse and eligible dependant(s) shall apply only to those who retire after the effective date of this resolution. Furthermore, this policy shall only apply to retirees of the Authority who reach sixty-two (62) years of age, and have provided at least fifteen (15) years of service as an employee if the Hackettstown Municipal Utilities Authority. The Authority shall cover 100% of the retiree's health coverage.

Additionally, a retiree shall also be provided with coverage for his/her spouse and eligible dependant(s), provided that the retiree shall contribute 35% of the continuing coverage. Upon the death of the retiree, health coverage for the spouse and eligible dependant(s) shall continue as previously provided.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Total OPEB Liability

At November 30, 2023, the Authority had a liability of \$4,103,774 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2022 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, 2022 the Authority's proportion was 0.025411 percent.

For the year ended November 30, 2023, the Authority recognized OPEB expense (benefit) of \$134,002. At November 30, 2023, 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	\$547,666	\$1,400,539
Net difference between projected and actual earnings on pension plan investments	211,923	760,665
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>896,171</u>	<u>185,323</u>
Total	<u>\$1,655,760</u>	<u>\$2,346,527</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:	
2023	\$(371,860)
2024	(372,188)
2025	(293,911)
2026	(131,262)
2027	(29,429)
Thereafter	(201,885)

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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 7.82, 7.82, 7.87, 8.05, and 8.05 years for 2022, 2021, 2020, 2019 and 2018 amounts, respectively.

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2022. 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-2022
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2022

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Discount Rate

The discount rate for June 30, 2022 and 2021 was 3.54% and 2.16%, 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, 2022		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Authority's proportionate share of Net OPEB liability	\$4,757,100	\$4,103,774	\$3,578,112

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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, 2021		
	1%	Healthcare Cost	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$3,699,354	\$4,433,886	\$5,392,359

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, 2023, compensated absences accrued for Authority employees was \$187,561.

NOTE 10. RELATED PARTIES

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

NOTE 11. COMMITMENTS AND CONTINGENCIES

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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, 2023, the Authority's construction fund was the following:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Construction Aid Fund	<u>\$1,145,022</u>	<u>\$3,395,466</u>	<u>\$4,540,488</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, 2023, 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>(5,456)</u>	<u>(7,535)</u>	<u>(12,991)</u>
Current Debt Service Reserve	<u>\$3,201</u>	<u>\$4,420</u>	<u>\$7,621</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, 2023, the Authority's future debt service fund was the following:

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(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, 2023, the Authority restricted the following funds for renewal and replacement:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Renewal and Replacement	<u>\$1,393,975</u>	<u>\$1,604,617</u>	<u>\$2,998,592</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, 2023, 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, 2023, 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, 2023
(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	\$801,908	\$801,892	\$1,603,800
Designated for Compensated Absences	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
	<u>\$851,908</u>	<u>\$851,892</u>	<u>\$1,703,800</u>

At November 30, 2023, the Authority reported a total amount of \$1,703,820 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, 2023:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pension Related	\$(1,830,939)	\$(1,830,940)	(\$3,661,879)
OPEB Pension Related	(2,397,270)	(2,397,271)	(4,794,541)
Available for Use in Future Budgets	<u>3,605,583</u>	<u>5,813,970</u>	<u>9,419,553</u>
	<u>(\$622,626)</u>	<u>\$1,585,759</u>	<u>\$963,133</u>

NOTE 14. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 25, 2024, the date which the financial statements were available to be issued and no other items were noted for disclosure.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2023
(CONTINUED)

NOTE 15. NOTE PAYABLE

On June 30, 2022 the New Jersey Infrastructure Bank granted subordinate bonds for Project W2108001-002 Lead Service Line Replacement in the amount of \$722,542. The Authority completed an inventory of its water service lines and determined that there are 68 known galvanized service lines in the Town of Hackettstown. The NJ Legislation Senate Bill S3398/A5343 passed in July 2021 defines galvanized service lines as lead pipes, and thus must be removed from all systems within a 10 year period. These bonds are being used for the replacement of those 68 galvanized service lines in the Town of Hackettstown. As of November 30, 2023, the Authority has drawn down \$585,237 on this financing.

Required Supplementary Information - Part II

SCHEDULE RSI-1

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

	Measurement Date Ending June 30,								
	<u>2022</u>	<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	0.0180490351%	0.0185906399%	0.0172866288%	0.0173508848%	0.0170850451%	0.0168827880%	0.0171188029%	0.016532%	0.017193%
Authority's Proportionate Share of the Net Pension Liability	\$2,723,848	\$2,202,340	\$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	\$1,316,988	\$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	206.82%	173.53%	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 Nine Fiscal Years**

	Fiscal Year ended November 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractual Required Contribution	\$217,718	\$189,108	\$169,258	\$170,540	\$157,892	\$156,401	\$152,081	\$142,137	\$141,739
Contributions in Relation to the Contractually Required Contribution	(217,718)	(189,108)	(169,258)	(170,540)	(157,892)	(156,401)	(152,081)	(142,137)	(141,739)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$1,316,988	\$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	16.53%	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 Six Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:						
Service Cost	\$202,438	\$208,414	\$139,568	\$131,129	\$181,730	\$213,075
Interest	101,993	101,940	114,576	125,130	154,933	129,788
Changes of Assumptions	(667,046)	(210,612)	833,221	(597,555)	(1,204,581)	(517,984)
Benefit Payments	(148,729)	(125,540)	(107,384)	(92,494)	(85,492)	(83,565)
Contributions - Members	13,510	10,669	8,648	8,508	10,947	10,726
Change in Allocation	140,428	289,784	464,465	(96,684)	53,842	459,881
Net Change in Total OPEB Liability	<u>(357,406)</u>	<u>274,655</u>	<u>1,453,094</u>	<u>(521,966)</u>	<u>(888,621)</u>	<u>(707,841)</u>
Total OPEB Liability - Beginning	4,446,271	4,171,616	2,718,522	3,240,488	4,129,109	4,836,950
Total OPEB Liability - Ending	<u>\$4,088,865</u>	<u>\$4,446,271</u>	<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	98,973	80,081	67,350	68,147	85,406	70,424
Contributions - Non-Employer Contribution Entities	11,636	9,306	8,064	8,627	10,858	10,621
Contributions - Members	13,510	10,669	8,648	8,508	10,947	10,726
Net Investment Income	60	50	658	950	471	158
Benefit Payments	(148,729)	(125,540)	(107,384)	(92,494)	(85,492)	(83,565)
Administrative Expense	(3,134)	(2,792)	(2,283)	(1,865)	(1,663)	(1,780)
Change in Allocation	390	2,638	9,181	(1,902)	6,556	(3,163)
Net Change in Plan Fiduciary Net Position	<u>(27,294)</u>	<u>(25,588)</u>	<u>(15,766)</u>	<u>(10,029)</u>	<u>27,083</u>	<u>3,421</u>
Plan Fiduciary Net Position - Beginning	12,385	37,973	53,739	63,768	36,685	33,264
Plan Fiduciary Net Position - Ending	<u>(14,909)</u>	<u>12,385</u>	<u>37,973</u>	<u>53,739</u>	<u>63,768</u>	<u>36,685</u>
Authority's Net OPEB Liability	<u>\$4,103,774</u>	<u>\$4,433,886</u>	<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, 2023

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 no change in the municipal bond index rate from the prior measurement date to the current measurement date in the discount rate from 7.00% to 7.00%.

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, 2023

	Net Investment in Capital Assets	Construction Fund (Reserve for Future Capital Projects)	Restricted				Operating Reserve
			Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Rate Stabilization Reserve	
Operating Revenue:							
Service Charges		115,680					
Connection Fees							
Miscellaneous		115,680					
Total Operating Revenue							
Operating Expense:							
Salaries and Wages	495,200						
Fringe Benefits	495,200						
Other Expenses							
Depreciation Expense							
Total Operating Expense							
Operating Income		115,680					
Non-Operating Revenue (Expense):							
Interest on Investments							
Accumulated Sick and Vacation							
Interest Expense	(2,700)						
Other Non-Operating Revenue (Expenses)							
Net Income (Loss) Before Transfers		115,680					
Transfers:							
NJIB Reimbursements	(585,537)	585,537					
Capital Expenditures	950,036	(585,537)			(173,659)		
Bond Principal	18,591						
Budget Appropriations			7,194				
Other Transfers			(7,060)				
Increase/(Decrease) in Net Position		(114,810)	134		407,856		
Net Position - Dec. 1, 2022, As Restated	25,063,271	1,029,342	3,067	42,840	986,119	375,000	10,000
Net Position - November 30, 2023	24,948,461	1,145,022	3,201	42,840	1,393,975	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, 2023

	Designated for Post-Employment Benefits Fund	Unrestricted Designated Compensated Absences	Undesignated	Total
Operating Revenue:				
Service Charges		2,581,400		2,581,400
Connection Fees			115,680	115,680
Miscellaneous		40,844		40,844
Total Operating Revenue		2,622,244		2,737,924
Operating Expense:				
Salaries and Wages		730,660		730,660
Fringe Benefits		431,615		431,615
Other Expenses		561,087		561,087
Depreciation Expense		495,200		495,200
Total Operating Expense		1,723,562		2,218,562
Operating Income		898,882		519,362
Non-Operating Revenue (Expense):				
Interest on Investments	30,690		301,250	301,250
Accumulated Sick and Vacation			(33,215)	(33,215)
Interest Expense			8,964	8,964
Other Non-Operating Revenue (Expenses)	30,690		276,999	304,989
Net Income (Loss) Before Transfers	30,690		1,175,881	824,351
Transfers:				
Interest Income				
Capital Expenditures			(190,840)	
Bond Principal			(18,591)	
Budget Appropriations	51,123		(639,832)	
Other Transfers			7,060	
Increase/(Decrease) in Net Position	81,813		333,678	824,351
Net Position - Dec. 1, 2022, As Restated	720,095	50,000	(1,732,681)	26,547,053
Net Position - November 30, 2023	801,908	50,000	(1,399,003)	27,371,404

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, 2023

	Net Investment in Capital Assets	Construction Fund (Reserve for Future Capital Projects)	Restricted				Operating Reserve
			Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Replacement Reserve	Rate Stabilization Reserve	
Operating Revenue:							
Service Charges							
Connection Fees		74,969					
Miscellaneous							
Total Operating Revenue		74,969					
Operating Expense:							
Salaries and Wages	580,217						
Fringe Benefits							
Other Expenses							
Depreciation Expense							
Total Operating Expense	580,217						
Operating Income	(580,217)	74,969					
Non-Operating Revenue (Expense):							
Interest on Investments							
Accumulated Sick and Vacation							
Interest Expense	(19,676)						
Other Non-Operating Revenue (Expenses)	(19,676)						
Net Income (Loss) Before Transfers	(599,893)	74,969					
Transfers:							
Capital Expenditures	648,309				(315,600)		
Bond Principal	25,673				571,060		
Budget Appropriations				9,173			
Other Transfers				(8,986)			
Increase/(Decrease) in Net Position	74,089	74,969		187	255,460		
Net Position - Dec. 1, 2022, As Restated	19,564,459	3,320,497		4,233	1,349,157	375,000	10,000
Net Position - November 30, 2023	19,638,548	3,395,466		4,420	1,604,617	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, 2023

	Designated for Post-Employment Benefits Fund	Unrestricted Designated Compensated Absences	Undesignated	Total
Operating Revenue:				
Service Charges		2,910,245		2,910,245
Connection Fees			74,969	74,969
Miscellaneous		143,933		143,933
Total Operating Revenue		3,054,178		3,129,147
Operating Expense:				
Salaries and Wages		902,532		902,532
Fringe Benefits		431,885		431,885
Other Expenses		758,625		758,625
Depreciation Expense		580,217		580,217
Total Operating Expense		2,093,042		2,673,259
Operating Income		961,136		455,888
Non-Operating Revenue (Expense):				
Interest on Investments		301,250		301,250
Accumulated Sick and Vacation	30,690	(45,867)		30,690
Interest Expense		25,940		(45,867)
Other Non-Operating Revenue (Expenses)				6,264
Net Income (Loss) Before Transfers	30,690	281,323		292,337
	30,690	1,242,459		748,225
Transfers:				
Capital Expenditures		(332,709)		-
Bond Principal		(25,673)		-
Budget Appropriations	51,124	(631,357)		-
Other Transfers		8,286		-
Increase(Decrease) in Net Position	81,814	261,706		748,225
Net Position - Dec. 1, 2022, As Restated	720,098	50,000		26,443,948
Net Position - November 30, 2023	801,912	50,000	1,253,050	27,192,173

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, 2023

	Developer Escrow Accounts	Construction Aid Accounts	Bond Service Account	Bond Reserve Account	Renewal and Replacement Account
Cash, Cash Equivalents and Investments -					
December 1, 2022	86,116	4,499,183	123,672	102,932	53,556
Cash Receipts:					
Interest on Investments		308,436	3,806	1,586	2,561
Service Charges					
Other Receipts		585,537			
Developer Escrow Receipts	145,164				
Transfers			123,978		489,259
Total Cash Receipts	145,164	893,973	127,784	1,586	491,820
Cash and Investments Available	231,280	5,393,156	251,456	104,518	545,376
Cash Disbursements:					
Loan Principal Payments			44,264		
Interest Payments			79,714		
Operations					
Capital and Other Expenses		585,537			489,259
Developer Escrow Payments	144,685				
Transfers					
Total Cash Disbursements	144,685	585,537	123,978	-	489,259
Cash, Cash Equivalents and Investments -					
November 30, 2023	86,595	4,807,619	127,478	104,518	56,117
Analysis of Balance:					
Cash and Cash Equivalents	86,595	312,635	-	-	-
Investments	-	4,494,984	127,478	104,518	56,117
	86,595	4,807,619	127,478	104,518	56,117
Unrestricted	-	267,131	106,866	2,518	(2,942,475)
Restricted	86,595	4,540,488	20,612	102,000	2,998,592
	86,595	4,807,619	127,478	104,518	56,117
Water	43,297	2,403,809	63,739	52,259	28,058
Sewer	43,298	2,403,810	63,739	52,259	28,059
	86,595	4,807,619	127,478	104,518	56,117

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, 2023

	Rate Stabilization Account	Operating Reserve Account	Post-Employment Benefits Account	Operating / Revenue Accounts	Total
Cash, Cash Equivalents and Investments - December 1, 2022	837,718	475,167	1,474,227	9,710,355	17,362,926
Cash Receipts:					
Interest on Investments	28,550	-	54,567	223,216	622,722
Service Charges		5,382,957			5,382,957
Other Receipts		182,040		59,345	826,922
Developer Escrow Receipts				26,032	171,196
Transfers			100,000	5,614,058	6,327,295
Total Cash Receipts	<u>28,550</u>	<u>5,564,997</u>	<u>154,567</u>	<u>5,922,651</u>	<u>13,331,092</u>
Cash and Investments Available	<u>866,268</u>	<u>6,040,164</u>	<u>1,628,794</u>	<u>15,633,006</u>	<u>30,694,018</u>
Cash Disbursements:					
Loan Principal Payments					44,264
Interest Payments					79,714
Operations			3,920	3,831,813	3,835,733
Capital and Other Expenses				343,649	1,418,445
Developer Escrow Payments					144,685
Transfers		5,614,058		878,623	6,492,681
Total Cash Disbursements	<u>-</u>	<u>5,614,058</u>	<u>3,920</u>	<u>5,054,085</u>	<u>12,015,522</u>
Cash, Cash Equivalents and Investments - November 30, 2023	<u>866,268</u>	<u>426,106</u>	<u>1,624,874</u>	<u>10,578,921</u>	<u>18,678,496</u>
Analysis of Balance:					
Cash and Cash Equivalents	-	426,106	-	153,634	978,970
Investments	866,268	-	1,624,874	10,425,287	17,699,526
	<u>866,268</u>	<u>426,106</u>	<u>1,624,874</u>	<u>10,578,921</u>	<u>18,678,496</u>
Unrestricted	116,268	406,106	1,624,874	10,578,921	10,160,209
Restricted	750,000	20,000	-	-	8,518,287
	<u>866,268</u>	<u>426,106</u>	<u>1,624,874</u>	<u>10,578,921</u>	<u>18,678,496</u>
Water	433,134	213,053	812,437	2,725,097	6,774,883
Sewer	433,134	213,053	812,437	7,853,824	11,903,613
	<u>866,268</u>	<u>426,106</u>	<u>1,624,874</u>	<u>10,578,921</u>	<u>18,678,496</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, 2023

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Revenues:					
Operating Revenues:					
Water User Charges and Fees	2,439,000	2,439,000	2,581,400	142,400	2,363,068
Connection Fees	-	-	115,680	115,680	518,552
Miscellaneous	-	-	40,844	40,844	27,384
Non-operating Revenues:					
Interest on Investments	22,000	22,000	301,250	279,250	31,772
Unrestricted Net Position	300,000	300,000	300,000	-	400,000
Total Revenues	2,761,000	2,761,000	3,339,174	578,174	3,340,776

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, 2023

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating Expenses:					
Administration:					
Salaries and Wages	321,911	321,911	280,116	41,795	250,346
Fringe Benefits:					
Public Employees' Retirement System	44,283	55,541	43,196	12,345	39,521
Social Security Tax	23,455	23,455	21,888	1,567	19,922
Health Benefits	112,207	112,207	93,330	18,877	75,496
Dental Plan	4,578	4,578	3,229	1,349	3,081
Unemployment and Disability Insurance	281	469	332	137	267
Other Expenses:					
Customer Refunds	600	600	-	600	-
Postage	8,700	8,700	6,024	2,676	8,511
Telephone and Lease Lines	8,200	8,200	7,035	1,165	7,685
Property and Liability Insurance	70,000	73,000	72,261	739	64,768
Administrative Supplies and Services	35,050	35,050	25,244	9,806	27,970
Professional Services	77,000	43,500	34,893	8,607	54,581
General Expenses	10,200	10,200	4,600	5,600	8,720
Property Taxes	1,060	1,060	1,046	14	1,020
Education and Training	14,000	14,000	6,559	7,441	6,650
Regulatory Fees	37,000	37,000	26,431	10,569	25,399
Sub-total Administrative	768,525	749,471	626,184	123,287	593,937

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, 2023

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Operating Expenses (continued):					
Cost of Providing Services:					
Salaries and Wages	535,883	535,883	450,544	85,339	490,755
Fringe Benefits:					
Public Employees' Retirement System	73,717	92,459	71,908	20,551	70,260
Social Security Tax	39,045	39,045	36,436	2,609	35,418
Health Benefits	186,790	186,790	155,367	31,423	134,214
Dental Plan	7,622	7,622	5,375	2,247	5,478
Unemployment and Disability Insurance	469	781	554	227	474
Other Expenses:					
Reservoirs, Wells and Maint. Supplies	32,000	32,000	24,889	7,111	19,116
Filtration Plant:					
Chemicals	43,000	63,000	59,343	3,657	19,239
Electricity	236,000	216,000	181,524	34,476	195,110
Laboratory	38,000	38,000	23,257	14,743	11,293
Fuel Oil	8,100	8,100	2,595	5,505	120
Distribution System:					
Maintenance and Supplies	73,000	73,000	71,746	1,254	25,177
Gasoline	16,000	16,000	1,865	14,135	22,338
Vehicles and Equipment Maint.	14,200	14,200	11,775	2,425	7,092
Sub-total Cost of Providing Services	1,303,826	1,322,880	1,097,178	225,702	1,036,084
Sub-total Operating	2,072,351	2,072,351	1,723,362	348,989	1,630,021

**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, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	33,349	33,349	33,215	134	34,138
Loan Principal	18,591	18,591	18,591	-	17,803
Reserves:					
Renewal and Replacement Reserve	581,515	581,515	581,515	-	707,187
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	7,194	7,194	7,194	-	7,194
Sub-total Other Costs	688,649	688,649	688,515	134	814,322
Total Costs Funded by Operating Revenues	2,761,000	2,761,000	2,411,877	349,123	2,444,343
Add: Excess / (Deficit)	-	-	927,297	927,297	896,433
	2,761,000	2,761,000	3,339,174	1,276,420	3,340,776

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, 2023

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Excess of Revenues Over Expenses:	-	-	927,297		896,433
Reconciliation of Budgetary Basis to GAAP:					
Depreciation			(495,200)		(495,822)
Pension Adjustment			-		(183,815)
OPEB Adjustment			-		(13,480)
Accumulated Sick and Vacation			30,690		17,326
Renewal and Replacement Reserve			581,515		707,187
Future Health Benefits			48,000		48,000
Debt Service Coverage			7,194		7,194
Bond Principal			18,591		17,803
Refund of Connection Fees			-		-
Other Non-Operating Revenues (Expenses)			6,264		42,429
Unrestricted Net Position			(300,000)		(400,000)
Total Adjustments			(102,946)		(253,178)
Change in Net Position			824,351		643,255

**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, 2023

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Revenues:					
Operating Revenues:					
Sewer User Charges and Fees	2,939,000	2,939,000	2,910,245	(28,755)	2,802,715
Connection Fees	-	-	74,969	74,969	637,007
Miscellaneous	-	-	143,933	143,933	153,062
Non-operating Revenues:					
Interest on Investments	22,000	22,000	301,250	279,250	31,772
Unrestricted Net Position	200,000	200,000	200,000	-	
Total Revenues	3,161,000	3,161,000	3,630,397	469,397	3,624,556

**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, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating Expenses:					
Administration:					
Salaries and Wages	321,911	321,911	280,116	41,795	250,346
Fringe Benefits:					
Public Employees' Retirement System	37,121	46,558	36,210	10,348	37,326
Social Security Tax	19,662	19,662	18,348	1,314	18,816
Health Benefits	94,060	94,060	78,321	15,739	71,301
Dental Plan	3,838	3,838	2,707	1,131	2,910
Unemployment and Disability Insurance	236	393	279	114	252
Other Expenses:					
Customer Refunds	400	400	-	400	-
Postage	8,700	8,700	7,442	1,258	7,077
Telephone and Lease Lines	8,200	8,200	7,035	1,165	7,685
Property and Liability Insurance	70,000	73,000	72,261	739	64,768
Administrative Supplies and Services	33,500	33,500	21,692	11,808	32,175
Professional Services	73,000	39,500	30,926	8,574	54,069
General Expenses	11,000	11,000	6,447	4,553	8,608
Property Taxes	10,200	10,200	9,347	853	9,087
Education and Training	16,700	16,700	11,163	5,537	6,858
Regulatory Fees	29,000	29,000	18,394	10,606	17,247
Sub-total Administrative	737,528	716,622	600,688	115,934	588,525

**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, 2023

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Operating Expenses (continued):					
Cost of Providing Services:					
Salaries and Wages	701,382	701,382	622,416	78,966	536,620
Fringe Benefits:					
Public Employees' Retirement System	80,879	101,442	78,894	22,548	72,455
Social Security Tax	42,838	42,838	39,976	2,862	36,524
Health Benefits	204,937	204,937	170,646	34,291	138,409
Dental Plan	8,362	8,362	5,897	2,465	5,649
Unemployment and Disability Insurance	514	857	607	250	489
Other Expenses:					
Pollution Control Plant:					
Maintenance and Supplies	57,000	57,000	31,608	25,392	48,594
Chemicals	178,000	178,000	181,796	(3,796)	158,506
Electricity	150,000	150,000	132,131	17,869	120,949
Laboratory	28,000	28,000	25,319	2,681	17,882
Fuel Oil	16,400	16,400	7,009	9,391	10,821
Sludge Disposal	210,000	210,000	158,537	51,463	140,016
Collection System:					
Maintenance and Supplies	18,000	18,000	16,687	1,313	5,989
Gasoline	16,000	16,000	12,639	3,361	12,944
Vehicles and Equipment Maint.	11,200	11,200	8,192	3,008	8,316
Sub-total Cost of Providing Services	1,723,512	1,744,418	1,492,354	252,064	1,314,163
Sub-total Operating	2,461,040	2,461,040	2,093,042	367,998	1,902,688

**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, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	46,054	46,054	45,867	187	47,142
Loan Principal	25,673	25,673	25,673	-	24,585
Reserves:					
Renewal and Replacement Reserve	571,060	571,060	571,060	-	459,428
Future Health Benefits	48,000	48,000	48,000	-	48,000
Debt Service Coverage	9,173	9,173	9,173	-	9,173
Sub-total Other Costs	699,960	699,960	699,773	187	588,328
Total Costs Funded by Operating Revenues	3,161,000	3,161,000	2,792,815	368,185	2,491,016
Add: Excess / (Deficit)	-	-	837,582	837,582	1,133,540
	3,161,000	3,161,000	3,630,397	1,205,767	3,624,556

**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, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Realized	Excess / (Deficit)	Prior Year Actual
Excess of Revenues Over Expenses:	-	-	837,582		1,133,540
Reconciliation of Budgetary Basis to GAAP:					
Depreciation			(580,217)		(574,598)
Pension Adjustment			-		(183,815)
OPEB Adjustment			-		(13,481)
Accumulated Sick and Vacation			30,690		17,326
Renewal and Replacement Reserve			571,060		459,428
Future Health Benefits			48,000		48,000
Debt Service Coverage			9,173		9,173
Bond Principal			25,673		24,585
Other Non-Operating Revenues (Expenses)			6,264		42,428
Unrestricted Net Position			(200,000)		-
Total Adjustments			(89,357)		(170,954)
Change in Net Position			748,225		962,586

**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, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Paid or Charged	Excess / (Deficit)
Financing Sources:				
Water Fund:				
Unrestricted Net Position	182,000	470,000	190,840	279,160
Renewal and Replacement Reserve	463,500	463,500	173,659	289,841
Debt Authorization	5,222,542	5,222,542	585,537	4,637,005
Sewer Fund:				
Unrestricted Net Position	-	288,000	332,709	(44,709)
Renewal and Replacement Reserve	895,000	895,000	315,600	579,400
Other Sources	814,000	814,000	-	814,000
	<u>7,577,042</u>	<u>8,153,042</u>	<u>1,598,345</u>	<u>6,554,697</u>
Capital Outlays:				
Water Fund:				
Equip/Valve/Itron/Veh. Replacement (2)	256,500	256,500	199,000	57,500
Well/Pump Station Improvements (3)	207,000	207,000	57,176	149,824
Water Main/Soil Disposal/Paving (1)	182,000	470,000	173,659	296,341
Water Main/Soil Disposal/Paving (3)	1,200,000	1,200,000	-	1,200,000
New 1.0 MG Tank (3)	4,022,542	4,022,542	520,201	3,502,341
Sewer Fund:				
Paving (1)	-	288,000	197,771	90,229
Building/Equip. Repl/Improvements (2)	255,000	255,000	117,829	137,171
Clarifier Repairs/Rebuilds/Sludge Pump (2)	320,000	320,000	133,709	186,291
Vehicles/UV Encl./Paving (2)	320,000	320,000	199,000	121,000
Nat. Gas Conversion/Gens./Boilers (4)	814,000	814,000	-	814,000
	<u>7,577,042</u>	<u>8,153,042</u>	<u>1,598,345</u>	<u>6,554,697</u>
Total Capital Outlays	<u>7,577,042</u>	<u>8,153,042</u>	<u>1,598,345</u>	<u>6,554,697</u>
Total Costs Funded by Capital Revenue	<u>7,577,042</u>	<u>8,153,042</u>	<u>1,598,345</u>	<u>6,554,697</u>
Add: Excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>7,577,042</u></u>	<u><u>8,153,042</u></u>	<u><u>1,598,345</u></u>	<u><u>6,554,697</u></u>

- (1) Funded through renewal and replacement reserve.
- (2) Funded through unrestricted net position.
- (3) Funded through debt authorization.
- (4) Funded through construction fund.

SCHEDULE 7

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

Description	Date of Issue	Interest Rate	Outstanding Maturities		Issued	Redeemed	Balance Nov. 30, 2023
			Date	Amount			
Diamond Hill Project USDA Loan Financing	5/1/2007	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					
						766,881	748,290
						784,684	748,290
Current Portion						18,591	19,413
Noncurrent Portion						748,290	728,877
						766,881	748,290

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, 2022	Issued	Redeemed	Balance Nov. 30, 2023
			Date	Amount				
Diamond Hill Project	5/1/2007							
USDA Loan Financing		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				
					1,059,025		25,673	1,033,352
					1,083,610		25,673	1,033,352
Current Portion					25,673			26,808
Noncurrent Portion					1,033,352			1,006,544
					1,059,025			1,033,352

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at November 30, 2023:

<u>Name</u>	<u>Office</u>
Ciro Lala	Chairperson
William Harper	Vice Chairperson
Gerald DiMaio, Jr.	Board Member
John DiMaio, Jr.	Board Member
William Kuster, Jr.	Board Member
Kathleen Corcoran	Executive Director
Christopher Pizarro	Deputy Executive Director
Nancy Lasch	Office Manager
Mike Brady	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.

Reports Pursuant to Government Auditing Standards



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Hackettstown Municipal Utilities Authority, as of and for the year ended November 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2024.

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.

Wielkocz & Company, LLC

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

March 25, 2024



Schedule of Findings and Questioned Costs

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2023**

FINDING: 2023-01*

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 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 Retired 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, OPEB and pension-related deferred outflow and OPEB-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

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,

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants