

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

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**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009**

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

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

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**FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

Vincent M. Montanino, RMA, PSA  
Michael S. Zambito, CPA, RMA  
Antonia Russo, Associate

## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members  
Town of Hackettstown Municipal Utilities Authority  
Hackettstown, New Jersey 07840

We have audited the accompanying basic financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hackettstown Municipal Utilities Authority (A Component Unit of the Town of Hackettstown) as of and for the year ended November 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hackettstown Municipal Utilities Authority (A Component Unit of the Town of Hackettstown) as of November 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2010 on our consideration of the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) 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 the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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The Management's Discussion and Analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) basic financial statements. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Vincent M. Montanino  
Registered Municipal Accountant  
License No. CR000375



Michael S. Zambito  
Certified Public Accountant  
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March 8, 2010

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Town of Hackettstown Municipal Utilities Authority financial activities for the fiscal year ended November 30, 2009. Please read it in conjunction with the Authority's financial statements.

### FINANCIAL HIGHLIGHTS

- The Authority's net assets increased \$1,260,491.46 as a result of this year's operations. Net assets of our business-type activities increased by \$1,260,491.46, or 2.38 percent.
- Total cost of all of the Authority's programs was \$4,997,151.24 in 2008-2009 compared to \$6,850,974.61 in 2007-2008. During the year, the Authority had expenses for business-type activities that were \$1,260,491.46 less than the \$6,257,642.70 generated in service fees and other program revenues.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view on the Authority's finances. For business-type activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operation in more detail than the government-wide statements by providing information about the Authority's most financially significant funds

#### Reporting the Authority as a Whole

##### The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net assets* and changes in them. You can think of the Authority's net assets, the difference between assets and liabilities, as one way to measure the Authority's financial health, or *financial position*. Over time, *increases* or *decreases* in the Authority's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's user fee base, and the condition of the Authority's capital assets to assess the overall *health* of the Authority.

## **Reporting the Authority's Most Significant Funds**

### **Fund Financial Statements**

*Proprietary funds:* when the Authority charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Authority's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### **The Authority as Trustee**

#### **Reporting the Authority's Fiduciary Responsibilities**

The Authority is the trustee, or *fiduciary*, for Developer's Escrow Fund. All of the Authority's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Authority's other financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE AUTHORITY AS A WHOLE

The Authority's *combined* net assets changed from a year ago, *increased* from \$52,931,105.16 to \$54,181,596.62. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Authority's business-type activities as of November 30.

**Table 1**  
**Net Assets**

	Business-type Activities		Total Primary Government	
	2009	2008	2009	2008
Current and Other Assets	\$ 11,989,863.42	\$ 10,919,321.14	\$ 11,989,863.42	\$ 10,919,321.14
Capital Assets	<u>45,812,841.16</u>	<u>46,411,271.24</u>	<u>45,812,841.16</u>	<u>46,411,271.24</u>
Total Assets	<u>57,802,704.58</u>	<u>57,330,592.38</u>	<u>57,802,704.58</u>	<u>57,330,592.38</u>
Long-term Debt Outstanding	3,421,012.09	4,248,916.87	3,421,012.09	4,248,916.87
Other Liabilities	<u>200,095.87</u>	<u>160,570.35</u>	<u>200,095.87</u>	<u>160,570.35</u>
Total Liabilities	<u>3,621,107.96</u>	<u>4,409,487.22</u>	<u>3,621,107.96</u>	<u>4,409,487.22</u>
Net Assets:				
Invested in Capital Assets, Net of Debt	42,701,342.48	42,450,260.59	42,701,342.48	42,450,260.59
Restricted	5,125,445.73	4,659,694.03	5,125,445.73	4,659,694.03
Unrestricted	<u>6,354,808.41</u>	<u>5,821,150.54</u>	<u>6,354,808.41</u>	<u>5,821,150.54</u>
Total Net Assets	<u>\$ 54,181,596.62</u>	<u>\$ 52,931,105.16</u>	<u>\$ 54,181,596.62</u>	<u>\$ 52,931,105.16</u>

Net assets of the Authority's business-type activities increased by 2.38 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$533,657.87. Restricted net assets, those restricted mainly for capital projects increased by \$465,751.70. The investment in capital assets, net of debt category increased by \$251,081.89.

**Table 2**  
**Changes in Net Assets**

	<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Revenues</u>				
Program Revenues:				
Charges for Services-Water	\$ 2,247,956.96	\$ 2,399,028.39	\$ 2,247,956.96	\$ 2,399,028.39
Charges for Services-Sewer	3,085,504.18	3,036,960.68	3,085,504.18	3,036,960.68
General Revenues:				
Prior Year Adjustment to Capital Assets	523,120.16		523,120.16	-
Interest and Investment Earnings	339,878.52	322,324.31	339,878.52	322,324.31
Other General Revenues	61,182.88	126,987.24	61,182.88	126,987.24
Total Revenues:	<u>6,257,642.70</u>	<u>5,885,300.62</u>	<u>6,257,642.70</u>	<u>5,885,300.62</u>
<u>Program expenses including indirect expenses</u>				
Business-type Activities:				
Water	2,442,117.83	2,024,607.68	2,442,117.83	2,024,607.68
Sewer	2,555,033.41	2,484,232.37	2,555,033.41	2,484,232.37
Adjustment to Capital Assets	-	2,342,134.56	-	2,342,134.56
Total Expenses	<u>4,997,151.24</u>	<u>6,850,974.61</u>	<u>4,997,151.24</u>	<u>6,850,974.61</u>
Increase in Net Assets	<u>\$ 1,260,491.46</u>	<u>\$ (965,673.99)</u>	<u>\$ 1,260,491.46</u>	<u>\$ (965,673.99)</u>

**Business-type Activities**

The Authority has two major Enterprise Funds consisting of the Water and Sewer operations.

**Table 3**

	<u>Water</u>	<u>Sewer</u>
Total Assets	\$ 29,512,806.51	\$ 28,289,898.07
Net Assets	29,289,142.91	24,892,453.71
Change in Net Assets	151,677.18	1,108,814.28
Return on Ending Total Assets	0.51%	3.92%
Return on Ending Net Assets	0.52%	4.45%

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

**Table 4**

**Capital Assets at Year-end  
(Net of Depreciation)**

	<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,221,400.00	\$ 1,221,400.00	\$ 1,221,400.00	\$ 1,221,400.00
Infrastructure	41,439,863.68	41,447,551.96	41,439,863.68	41,447,551.96
Buildings and Improvements	17,925,142.46	17,893,005.49	17,925,142.46	17,893,005.49
Vehicles	676,001.59	631,852.43	676,001.59	631,852.43
Machinery and Equipment	5,227,183.43	5,163,544.84	5,227,183.43	5,163,544.84
Construction-in-Progress	<u>294,584.00</u>	<u>65,265.16</u>	<u>294,584.00</u>	<u>65,265.16</u>
Subtotal	66,784,175.16	66,422,619.88	66,784,175.16	66,422,619.88
Accumulated Depreciation	<u>(20,971,334.00)</u>	<u>(20,011,348.64)</u>	<u>(20,971,334.00)</u>	<u>(20,011,348.64)</u>
Totals	<u>\$ 45,812,841.16</u>	<u>\$ 46,411,271.24</u>	<u>\$ 45,812,841.16</u>	<u>\$ 46,411,271.24</u>

This year's major additions in the Business-type Activities was because of additional \$294,584.00 of construction in progress for Improvements to the Operations Building and Site Improvements, the Completion of the Rehabilitation of Well's #5 & 6, a Sewer Camera System Replacement, Sewage Pump Upgrades, and Channel Monster Parts.

The Authority's 2009-2010 capital budget anticipates a spending level of \$3,955,000.00 for capital projects. More detailed information about the Authority's capital assets is presented in Note III:B. to the basic financial statements

**DEBT**

At year – end the Authority had total debt of \$3,321,012.09 outstanding versus \$4,248,916.87 last year – a decrease of 19.49 percent – as shown in Table 5.

**Outstanding Debt, at year –end  
Table 5**

	Business-Type Activities	
	<u>2009</u>	<u>2008</u>
Loans	\$ 3,111,498.68	\$ 3,961,010.65
Compensated Absences	<u>309,513.41</u>	<u>287,906.22</u>
	<u>\$ 3,421,012.09</u>	<u>\$ 4,248,916.87</u>

An analysis of Authority Debt is presented in Note IV:B. to the basic financial statements.

**BUDGETS**

There were no significant variances between the originally adopted budget for the fiscal year 2008-2009 and the final budget.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bruce Smith-Executive Director, 424 Hurley Drive, Hackettstown, New Jersey 07840.

**BASIC FINANCIAL STATEMENTS**

**FUND FINANCIAL STATEMENTS**



**PROPRIETARY FUNDS**

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009**

	<b>Business-type Activities -</b>		
	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,159,030.12	\$ 5,522,716.72	\$ 11,681,746.84
Cash Restricted-Escrow Deposits	86,324.85	86,324.86	172,649.71
Change Fund	50.00	50.00	100.00
Accounts Receivable	71,481.99	56,980.52	128,462.51
Prepaid Expenses	3,452.18	3,452.18	6,904.36
Total Current Assets	<u>6,320,339.14</u>	<u>5,669,524.28</u>	<u>11,989,863.42</u>
Noncurrent Assets:			
Capital Assets Not Being Depreciated:			
Land	823,600.00	397,800.00	1,221,400.00
Construction in Progress	147,292.00	147,292.00	294,584.00
Total Capital Assets Not Being Depreciated	<u>970,892.00</u>	<u>545,092.00</u>	<u>1,515,984.00</u>
Capital Assets Being Depreciated:			
Capital Assets	30,863,681.02	34,404,510.14	65,268,191.16
Less: Accumulated Depreciation	<u>(8,642,105.65)</u>	<u>(12,329,228.35)</u>	<u>(20,971,334.00)</u>
Total Capital Assets Being Depreciated	<u>22,221,575.37</u>	<u>22,075,281.79</u>	<u>44,296,857.16</u>
Total Capital Assets	<u>23,192,467.37</u>	<u>22,620,373.79</u>	<u>45,812,841.16</u>
Total Assets	<u>29,512,806.51</u>	<u>28,289,898.07</u>	<u>57,802,704.58</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	33,890.52	68,468.72	102,359.24
Contracts Payable	32,725.04	32,725.04	65,450.08
Accrued Interest on Debt	-	27,703.87	27,703.87
Retainage Payable	2,291.34	2,291.34	4,582.68
Total Current Liabilities	<u>68,906.90</u>	<u>131,188.97</u>	<u>200,095.87</u>
Noncurrent Liabilities:			
Compensated Absences Payable	154,756.70	154,756.71	309,513.41
Loans Payable	947,742.74	2,163,755.94	3,111,498.68
Total Noncurrent Liabilities	<u>1,102,499.44</u>	<u>2,318,512.65</u>	<u>3,421,012.09</u>
Total Liabilities	<u>1,171,406.34</u>	<u>2,449,701.62</u>	<u>3,621,107.96</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	22,244,724.63	20,456,617.85	42,701,342.48
Restricted for:			
Escrow Deposits	71,567.82	71,567.82	143,135.64
Post Employment Benefits Fund	72,155.44	72,155.43	144,310.87
Future Capital Projects	1,700,139.30	1,700,139.29	3,400,278.59
Bond Reserve-Wastewater		384,000.00	384,000.00
Bond Reserve-USDA	51,000.00	51,000.00	102,000.00
Renewal and Replacement	90,860.31	90,860.32	181,720.63
Rate Stabilization	375,000.00	375,000.00	750,000.00
Operating	10,000.00	10,000.00	20,000.00
Unrestricted	<u>3,725,952.67</u>	<u>2,628,855.74</u>	<u>6,354,808.41</u>
Total Net Assets	<u>\$ 28,341,400.17</u>	<u>\$ 25,840,196.45</u>	<u>\$ 54,181,596.62</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Service Charges	\$ 2,060,661.71	\$ 2,705,632.18	\$ 4,766,293.89
Connection Fees	187,295.25	379,872.00	567,167.25
Total Operating Revenues	<u>2,247,956.96</u>	<u>3,085,504.18</u>	<u>5,333,461.14</u>
<b>Operating Expenses:</b>			
Salaries and Wages	554,991.04	443,795.30	998,786.34
Fringe Benefits	225,198.20	225,197.95	450,396.15
Other Expenses	609,603.24	693,260.18	1,302,863.42
Depreciation	<u>443,692.41</u>	<u>538,108.14</u>	<u>981,800.55</u>
Total Operating Expenses	<u>1,833,484.89</u>	<u>1,900,361.57</u>	<u>3,733,846.46</u>
Operating Income	<u>414,472.07</u>	<u>1,185,142.61</u>	<u>1,599,614.68</u>
<b>Nonoperating Revenues (Expenses):</b>			
Non-Capitalized Expenditures	(529,871.16)	(529,871.16)	(1,059,742.32)
Adjustment to Capital Assets	147,970.40	375,149.76	523,120.16
Accrued Interest on Debt		5,326.09	5,326.09
Debt Service Interest - Wastewater	(41,797.76)	(87,836.64)	(129,634.40)
Compensated Absences	(10,803.59)	(10,803.60)	(21,607.19)
Escrow Deposits	27,928.39	27,928.40	55,856.79
Refund of Escrow Deposits	(26,160.43)	(26,160.44)	(52,320.87)
Interest on Investments	<u>169,939.26</u>	<u>169,939.26</u>	<u>339,878.52</u>
Total Nonoperating Revenues (Expenses)	<u>(262,794.89)</u>	<u>(76,328.33)</u>	<u>(339,123.22)</u>
Change in Net Assets	151,677.18	1,108,814.28	1,260,491.46
Total Net Assets—Beginning	<u>28,189,722.99</u>	<u>24,731,382.17</u>	<u>52,921,105.16</u>
Total Net Assets—Ending	<u>\$ 28,341,400.17</u>	<u>\$ 25,840,196.45</u>	<u>\$ 54,181,596.62</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY**  
**( A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN)**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009**

	<b>Business-type Activities -</b>		
	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 2,273,429.99	\$ 3,132,248.54	\$ 5,405,678.53
Payments to Employees	(554,991.04)	(443,795.30)	(998,786.34)
Payments for Employee Benefits	(225,198.20)	(225,197.95)	(450,396.15)
Payments to Suppliers	(611,452.74)	(679,004.33)	(1,290,457.07)
Net Cash Provided by Operating Activities	<u>881,788.01</u>	<u>1,784,250.96</u>	<u>2,666,038.97</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Miscellaneous Deposits			-
Escrow Deposits	27,928.39	27,928.40	55,856.79
Refund of Escrow Deposits	(26,160.43)	(26,160.44)	(52,320.87)
Miscellaneous Expenses	-	-	-
Net Cash (Used for) Non-Capital Financing Activities	<u>1,767.96</u>	<u>1,767.96</u>	<u>3,535.92</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Non-Capitalized Expenditures	(398,812.89)	(398,812.89)	(797,625.78)
Principal Paid on Capital Debt	(10,142.80)	(667,152.02)	(677,294.82)
Interest Paid on Capital Debt	(41,797.76)	(140,670.70)	(182,468.46)
NJEIT Wastewater Loan Earnings & Savings Credits		52,834.06	52,834.06
Contracts and Retainage Payable	(131,058.27)	(131,058.27)	(262,116.54)
Net Cash (Used for) Capital and Related Financing Activities	<u>(581,811.72)</u>	<u>(1,284,859.82)</u>	<u>(1,866,671.54)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends	169,939.26	169,939.26	339,878.52
Net Cash Provided by Investing Activities	<u>169,939.26</u>	<u>169,939.26</u>	<u>339,878.52</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	471,683.51	671,098.36	1,142,781.87
Balances—Beginning of Year	5,773,721.46	4,937,993.22	10,711,714.68
Balances—End of Year	<u>\$ 6,245,404.97</u>	<u>\$ 5,609,091.58</u>	<u>\$ 11,854,496.55</u>
<b>Reconciliation of Operating Income to Net Cash Provided/(Used) by Operating Activities:</b>			
Operating Income	\$ 414,472.07	\$ 1,185,142.61	\$ 1,599,614.68
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	443,692.41	538,108.14	981,800.55
(Increase)/Decrease in Accounts Receivable, Net	25,473.03	46,744.36	72,217.39
(Increase)/Decrease in Prepaid Expenses	11.10	11.10	22.20
Increase/(Decrease) in Accounts Payable	(1,860.60)	14,244.75	12,384.15
Total Adjustments	<u>467,315.94</u>	<u>599,108.35</u>	<u>1,066,424.29</u>
Net Cash Provided by Operating Activities	<u>\$ 881,788.01</u>	<u>\$ 1,784,250.96</u>	<u>\$ 2,666,038.97</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**NOTES TO BASIC 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, 2009

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of The Town of Hackettstown Municipal Utilities Authority (A Component Unit of the Town of Hackettstown) (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Authority has chosen not to do so. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This Statement established new financial reporting requirements for state and local governments throughout the United States. It required new information and restructuring much of the information that governments had presented in the past. The Authority began implementing these standards for the fiscal year ending November 30, 2004.

Other GASB Statements were also required to be implemented in conjunction with GASB Statements No. 34. Therefore, the Authority implemented for the fiscal year ending November 30, 2004, Statement No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38 – Certain Financial Statement Note Disclosures.

B. Reporting Entity

These financial statements present the Town of Hackettstown Municipal Utilities Authority (A Component Unit of the Town of Hackettstown). As defined by GASB No. 14, component units are legally separate entities that are included in the Town’s reporting entity because of the significance of their operating or financial relationships with the Town.

The Division of Local Government Services, Department of Community Affairs, State of New Jersey has not mandated that municipalities in the State of New Jersey implement GASB 34 therefore the Town’s financial statements are not presented.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

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 uses 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 financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and either the primary government is able to impose its will on the organization's governing body and either the primary government is able to impose its will on the organization; or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

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 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.

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, is the degree of oversight responsibility maintained by the Authority. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Authority over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Authority is not includable in any other reporting entity on the basis of such criteria.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Authority:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Authority is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the users on a continuing basis be financed or recovered primarily through user charges; or, where the Authority has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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:

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type (Continued)

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Authority programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Authority's fiduciary funds are presented in the fiduciary fund financial statements by type (Developer's Escrow Funds). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Measurement Focus and Basis of Accounting

The proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, grants entitlements and donations.

E. Budgets/Budgetary Control

The annual budget is required to be balanced and authorities are permitted to utilize unreserved retained earnings to balance their budget; however, the maximum amount which can be utilized is the lesser of (a) the estimated year-end balance of unreserved retained earnings or (b) working capital reduced by unrestricted assets not ordinarily convertible into cash (non-liquid, such as prepaid insurance and inventory).

For the purpose of using projected Unreserved Retained Earnings or funding operating deficits, Authorities are permitted to amend or modify the annual operating budget, since actual results may differ from the amount estimated in the budget process.

Amendments to the operating and/or capital budgets may be permitted for a variety of conditions, as more fully described in the rules and regulations promulgated by the Local Finance Board. There were no significant budget amendments during the fiscal year.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Authorities are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 40A:5-15.1 et. seq. provides a list of permissible investments that may be purchased by New Jersey Authorities.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Authority and that are due within one year.

3. Inventories

The cost of consumable materials and supplies on hand are immaterial to the financial statements and the Authority has therefore chosen to report these items as expenditures/expenses at the time of purchase.

4. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Business-type activities report user fees and interest earnings as their major receivables.

5. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

6. Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to debt related trustee accounts, future and designated capital projects, renewal and replacement, rate stabilization, developer's deposits, and operating requirements.

7. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds, notes and loans payable.

The accounting for proprietary fund debt is the same in the fund statements as it is in the government-wide statements.

8. Compensated Absences

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

9. Equity Classifications

Fund Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – 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.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

9. Equity Classifications (Continued)

Fund Statements (Continued)

- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Revenues, Expenditures and Expenses

1. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

2. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for business-type activities.

In the fund financial statements, expenditures are classified as follows:

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, proprietary funds report expenses relating to use of economic resources.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note II: Stewardship, Compliance and Accountability

By its nature as a local government unit, the Authority is subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

A. Revenue Restrictions and Debt Covenants

In accordance with the 1967 bond resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenues received by the Authority:

<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 and construction grants-in-Aid.	Proceeds of debt issued 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.
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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

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), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At November 30, 2009 the Town of Hackettstown Municipal Utilities Authority's cash and cash equivalent's amounted to \$2,433,186.18. Of this amount, \$257,507.54 was covered by federal depository insurance (F.D.I.C.) and \$268,410.90 was covered by a collateral pool maintained by the banks as required by GUDPA. Although the individual developers' accounts are subject to F.D.I.C. coverage, it cannot be accurately determined whether the total amount of \$172,649.71 included in Developers' Escrow deposits is covered.

At November 30, 2009 the Town of Hackettstown Municipal Utilities Authority's participation in the State of New Jersey Cash Management Fund amounted to \$1,734,618.03.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the 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.

As of November 30, 2009, \$1,907,267.74 of the Town of Hackettstown Municipal Utilities Authority's cash and cash equivalents of \$2,433,186.18 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 172,649.71
Uninsured and collateral held by public depository or by its' trust department not in the Authority's name	<u>1,734,618.03</u>
	<u>\$1,907,267.74</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, 2009  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

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

a. When authorized by resolution adopted by a majority vote of all its members the board of commissioners of any Authority may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Authority;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the Authority or bonds or other obligations of local unit or units within which the Authority is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by Authority;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

The Town of Hackettstown Municipal Utilities Authority had the following investments valued at cost, which approximates fair value, at November 30, 2009:

	<u>Fair Value</u>
Treasury M.M.	\$ 1,577,952.51
Government Bonds	3,265,287.15
Wells Fargo Securities	702,170.29
Raymond James Securities	144,720.87
Certificates of Deposit	2,215,374.70
Treasury Bonds	925,514.76
Secondary Notes	406,253.69
Edward Jones Securities	<u>186,000.00</u>
 Total Investments	 <u>\$9,422,863.97</u>

The above information does not include the amounts held in escrow by Wachovia Bank, N.A.; and Bank of New York (See Escrow Agent Agreements).

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

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

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

THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
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NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Capital Assets

Capital asset activity for the year ended November 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments &amp; Deletions</u>	<u>Ending Balance</u>
Business - Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,221,400.00	\$ -	\$ -	\$ 1,221,400.00
Construction in Progress	65,265.16	294,584.00	(65,265.16)	294,584.00
Total Capital Assets Not Being Depreciated	<u>1,286,665.16</u>	<u>294,584.00</u>	<u>(65,265.16)</u>	<u>1,515,984.00</u>
Infrastructure	41,447,551.96		(7,688.28)	41,439,863.68
Buildings and Improvements	17,893,005.49	-	32,136.97	17,925,142.46
Vehicles	631,852.43	65,060.49	(20,911.33)	676,001.59
Machinery and Equipment	5,163,544.84	30,510.40	33,128.19	5,227,183.43
Totals at historical cost	<u>65,135,954.72</u>	<u>95,570.89</u>	<u>36,665.55</u>	<u>65,268,191.16</u>
Less Accumulated Depreciation for:				
Infrastructure	(8,227,349.53)	(467,923.29)		(8,695,272.82)
Buildings and Improvements	(8,277,870.34)	(331,022.81)		(8,608,893.15)
Vehicles	(402,106.11)	(3,796.93)	21,815.19	(384,087.85)
Machinery and Equipment	(3,104,022.66)	(179,057.52)	-	(3,283,080.18)
Total Accumulated Depreciation	<u>(20,011,348.64)</u>	<u>(981,800.55)</u> (1)	<u>21,815.19</u>	<u>(20,971,334.00)</u>
Net Capital Assets Being Depreciated	<u>45,124,606.08</u>	<u>(886,229.66)</u>	<u>58,480.74</u>	<u>44,296,857.16</u>
Business - Type Activities Capital Assets, Net	<u>\$46,411,271.24</u>	<u>\$ (591,645.66)</u>	<u>\$ (6,784.42)</u>	<u>\$45,812,841.16</u>

(1) Depreciation expense was charged to governmental functions as follows:

Water	\$ 443,692.41
Sewer	<u>538,108.14</u>
	<u>\$ 981,800.55</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, 2009  
(CONTINUED)

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has no commitments under operating leases.

B. Long - Term Liabilities

Long - Term liability activity for the year ended November 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Long - Term Debt:					
Loans	\$3,961,010.65	\$ -	\$(849,511.97)	\$3,111,498.68	\$ 880,185.97
Total Debt Payable	<u>3,961,010.65</u>	<u>-</u>	<u>(849,511.97)</u>	<u>3,111,498.68</u>	<u>880,185.97</u>
Other Liabilities:					
Compensated Absences	287,906.22	22,109.72	(502.53)	309,513.41	-
Total Other Liabilities	<u>287,906.22</u>	<u>22,109.72</u>	<u>(502.53)</u>	<u>309,513.41</u>	<u>-</u>
Business-type Activities					
Long - Term Liabilities	<u>\$4,248,916.87</u>	<u>\$22,109.72</u>	<u>\$(850,014.50)</u>	<u>\$3,421,012.09</u>	<u>\$ 880,185.97</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, 2009  
(CONTINUED)

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

2. Loans Payable

Pursuant to agreements entered into with the New Jersey Wastewater Treatment Trust Financing Program dated December 1, 1991, the Authority has borrowed the following:

	<u>Amount of Loan (1)</u>	<u>Amount Outstanding November 30, 2009</u>
Loan	\$ 5,724,566.00	\$ 330,714.76
Trust	<u>6,430,000.00</u>	<u>524,138.49</u>
	<u>\$12,154,566.00</u>	<u>\$ 854,968.34</u>

(1) Net of Debt Issuance Costs and Investment Earnings.

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 are to be used to fund the Diamond Hill Project.

An analysis of loans payable at November 30, 2009 can be found on Schedules 6 & 7.

3. Bonds Authorized But Not Issued

As of November 30, 2009 the Authority had no authorized but not issued bonds.

Note V: Detailed Disclosure Regarding Fund Equity

A. Restricted Net Assets

Enterprise Fund:

Restricted for:

Future Capital Projects	\$3,400,278.59
Post Employment Benefits Fund	144,310.87
Bond Reserve – Wastewater	384,000.00
Bond Reserve – USDA	102,000.00
Renewal and Replacement	181,720.63
Rate Stabilization	750,000.00
Operations	20,000.00

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note VI: Pension Plans

Description of Systems

Substantially all of the Authority's employees participate in the following contributory defined benefit public employee retirement system which has been established by State statute: the Public Employees' Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits.

According to State law all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues a publicly available financial report that includes the financial statements and required supplementary information of the Public Employees Retirement System.. This report 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.

Retirement Benefits

For PERS employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

Significant Legislation

Chapter 89, P.L. 2008, effective November 1, 2008, increased the PERS retirement age. If a person becomes a member on or after November 1, 2008 that person must be at least 62 years of age in order to retire without a reduction in their retirement allowance.

Chapter 99, P.L. 2009, effective March 17, 2009 gave local PERS employers the option to defer 50% of their contributions in fiscal year 2009 the normal and accrued liability and pay 50 percent of the certified amount as determined by the actuary or pay the full 100% certified amount.

Contribution Requirements

The contribution policy is set by New Jersey State Statutes 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 PERS pension fund, effective July 1, 2008 provides for employee contribution of 5.50 percent of employees' annual compensation, as defined. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note VI: Pension Plans

Contribution Requirements (Continued)

During the year ended June 30, 2009, for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Contribution Actual

The Town of Hackettstown Municipal Utilities Authority's total payroll for the year ended November 30, 2009 was \$1,009,679.59 and covered payroll was \$970,975.33 for PERS. Contributions to PERS for the last three fiscal years made by the employees and the Authority were as follows:

		<u>PERS</u>	Percent of Covered <u>Payroll</u>
Employees	11/30/07	44,960.57	5.03%
	11/30/08	47,994.00	5.21%
	11/30/09	53,403.86	5.50%
Authority	11/30/07	29,440.80	3.29%
	11/30/08	56,041.60	6.08%
	11/30/09	72,219.00	7.44%

Note VII: Post Retirement Medical Benefits

PERS employees do not receive post – retirement medical benefits from the State of New Jersey, however the Authority has recently been budgeting monies to pay post retirement medical benefits for 2 previously retired employees and is also reserving monies to pay for future post retirement medical benefits.

Note VIII: Risk Management

The Town of Hackettstown Municipal Utilities Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town of Hackettstown Municipal Utilities Authority continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. There have been no significant reductions in insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Note IX: Accrued Sick and Vacation Benefits

The Town of Hackettstown Municipal Utilities Authority permits employees to accrue a limited amount of unused vacation and sick pay, which may be paid upon retirement or death at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$309,513.41. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Town of Hackettstown Municipal Utilities Authority's budget operating expenditures in the year in which it is used.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED NOVEMBER 30, 2009  
(CONTINUED)

Note X: Related Parties

The Town of Hackettstown does not pay any water or sewer charges to the Town of Hackettstown Municipal Utilities Authority. The benefit to the Town in 2009 is approximately \$53,625.63. Likewise, the Town of Hackettstown Municipal Utilities Authority does not pay property taxes on any of the four properties owned in the Town. The benefit to the Authority is \$79,009.57.

In addition the Town of Hackettstown Public Library does not pay any water or sewer charges to the Town of Hackettstown Municipal Utilities Authority. The benefit to the Library is approximately \$492.03.

Note XI: Letters of Credit

The following irrevocable Letters of Credit are on file with the Authority as of November 30, 2009:

B&W Associates-	
Performance Bond	\$ 200,000.00
Hunters Brook – Sewer	84,748.50
Hunters Brook – Water	39,654.75
Heath Village - Water	385,830.00
Heath Village – Sewer	824,580.00
Woodfield – Section IIIA	302,602.50
Woodfield – Section IIIB	<u>80,694.00</u>
	<u>\$1,918,109.75</u>

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

ROSTER OF OFFICIALS

Authority Members

Position

Harry Brown

Chairperson

Vincent Maltese

Vice Chairperson

John Di Maio

Board Member

Edward Kelly

Board Member

Gerald Di Maio, Jr.

Board Member

Other Officials

Bruce Smith

Executive Director  
Secretary and Treasurer



**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

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

**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES  
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED NOVEMBER 30, 2008**

	<u>Modified Budget</u>	<u>2008-2009 Actual</u>	<u>2007-2008 Actual</u>
Operating Revenues:			
Water User Charges and Fees	\$ 2,014,000.00	\$ 2,060,661.71	\$ 2,138,311.03
Sewer User Charges and Fees	2,550,000.00	2,705,632.18	2,750,387.40
Connection Fees	-	<u>567,167.25</u>	<u>547,290.64</u>
Total Operating Fees	<u>4,564,000.00</u>	5,333,461.14	5,435,989.07
Non-Operating Revenues:			
Interest on Investments and Deposits	300,000.00	251,284.54	321,357.07
Retained Earnings Appropriated	<u>311,034.00</u>	<u>311,034.00</u>	<u>-</u>
 Total Revenues	 <u>\$ 5,175,034.00</u>	 <u>\$ 5,895,779.68</u>	 <u>\$ 5,757,346.14</u>

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

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES  
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED NOVEMBER 30, 2008  
(CONTINUED)

	Modified <u>Budget</u>	<u>2008-2009 Actual</u>		<u>Balance</u>	2007-2008 <u>Actual</u>
		<u>Paid or</u>	<u>Accounts</u>		
		<u>Charged</u>	<u>Payable</u>		
Expenses:					
Operating Appropriations:					
Water:					
Salaries and Wages:					
Operations	\$ 432,050.00	424,479.88		7,570.12	401,499.81
Administrative Personnel	131,114.00	130,511.16		602.84	122,866.12
Employee Benefits:					
Public Employees' Retirement System	36,200.00	36,109.50		90.50	28,020.80
Social Security Tax	42,500.00	38,112.19		4,387.81	36,296.92
Hospital and Surgical Plans	159,000.00	138,206.50		20,793.50	141,539.71
Dental Plan	17,000.00	12,505.60		4,494.40	15,379.63
Unemployment and Disability Insurance	350.00	264.41		85.59	255.33
Administration Expenses:					
Customer Refunds	686.00	-		686.00	
Postage	8,900.00	8,841.86		58.14	7,418.16
Telephone and Lease Lines	4,800.00	3,265.59	276.58	1,257.83	3,599.63
Property and Liability Insurance	48,000.00	41,687.18		6,312.82	41,755.35
Administrative Supplies and Services	21,200.00	19,982.32	135.14	1,082.54	18,970.85
Professional Services	48,000.00	39,197.65	5,661.75	3,140.60	52,822.30
General Expenses	8,600.00	2,324.43		6,275.57	2,734.33
Property Taxes	43,000.00	42,117.59		882.41	40,290.96
Education and Training	8,600.00	4,131.18	300.00	4,168.82	5,404.79
NJPDDES Dues	34,000.00	28,174.42		5,825.58	28,792.02
Operations and Maintenance Expenses:					
Reservoirs, Wells and Plant -					
Maintenance and Supplies	35,000.00	27,496.90	2,856.48	4,646.62	33,281.53
Filtration Plant - Chemicals	25,000.00	22,404.56	471.00	2,124.44	20,835.64
Filtration Plant - Electricity	348,000.00	279,407.83	18,005.64	50,586.53	333,008.72
Filtration Plant - Laboratory	25,000.00	13,644.93	1,829.96	9,525.11	24,219.58
Filtration Plant - Fuel Oil	18,000.00	2,950.88	193.23	14,855.89	14,244.19
Distribution System - Maint. and Supplies	25,000.00	21,984.10	2,868.21	147.69	17,850.83
Distribution System - Gasoline	15,500.00	7,710.79	734.56	7,054.65	14,266.79
Distribution System - Vehicles and Equipment Maintenance	11,000.00	10,390.51	557.97	51.52	11,588.24
Total Water Expenses	<u>1,546,500.00</u>	<u>1,355,901.96</u>	<u>33,890.52</u>	<u>156,707.52</u>	<u>1,416,942.23</u>

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

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES  
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED NOVEMBER 30, 2008  
(CONCLUDED)

	Modified Budget	2008-2009 Actual Paid or Charged	Accounts Payable	Balance	2007-2008 Actual
Expenses: (Continued)					
Operating Appropriations: (Continued)					
Sewer:					
Salaries and Wages:					
Operations	\$ 414,907.00	\$ 313,283.62		\$ 101,623.38	\$ 301,381.69
Administrative Personnel	131,114.00	130,511.68		602.32	122,866.65
Employee Benefits:					
Public Employees' Retirement System	36,200.00	36,109.50		90.50	28,020.80
Social Security Tax	42,500.00	38,112.07		4,387.93	36,296.79
Hospital and Surgical Plans	159,000.00	138,206.45		20,793.55	141,539.69
Dental Plan	17,000.00	12,505.56		4,494.44	15,379.54
Unemployment and Disability Insurance	350.00	264.37		85.63	255.30
Administration Expenses:					
Customer Refunds	529.00	-		529.00	-
Postage	7,000.00	6,804.20		195.80	5,800.65
Telephone and Lease Lines	4,800.00	3,265.49	276.58	1,257.93	3,470.56
Property and Liability Insurance	48,000.00	41,687.16		6,312.84	41,755.35
Administrative Supplies and Services	18,600.00	17,759.30	135.13	705.57	15,541.03
Professional Services	67,000.00	50,909.07	4,686.75	11,404.18	59,269.96
General Expenses	10,600.00	2,137.84		8,462.16	2,734.29
Property Taxes	7,000.00	6,575.63		424.37	6,489.41
Education and Training	9,800.00	5,293.42		4,506.58	6,858.69
NJPDES Dues	21,600.00	20,190.97		1,409.03	23,274.84
Operations and Maintenance Expenses:					
Pollution Control Plant - Maintenance and Supplies	50,000.00	34,372.50	9,676.58	5,950.92	46,597.48
Pollution Control Plant - Chemicals	105,000.00	79,139.65	17,504.38	8,355.97	92,619.11
Pollution Control Plant - Electricity	298,000.00	200,179.77	16,495.99	81,324.24	291,838.22
Pollution Control Plant - Laboratory	22,000.00	17,266.76	2,715.02	2,018.22	20,982.19
Pollution Control Plant - Fuel Oil	20,000.00	4,989.65	1,537.06	13,473.29	12,893.03
Pollution Control Plant - Sludge Disposal	166,000.00	111,023.76	11,481.40	43,494.84	139,518.00
Collection System - Maintenance and Supplies	18,000.00	8,288.91	3,420.34	6,290.75	6,587.47
Collection System - Gasoline	15,500.00	7,710.75	-	7,789.25	14,266.73
Collection System - Vehicles and Equipment Maint.	8,000.00	7,196.63	539.49	263.88	4,493.41
Total Sewer Expenses	<u>1,698,500.00</u>	<u>1,293,784.71</u>	<u>68,468.72</u>	<u>336,246.57</u>	<u>1,440,730.88</u>
Total Operating Appropriations	<u>3,245,000.00</u>	<u>2,649,686.67</u>	<u>102,359.24</u>	<u>492,954.09</u>	<u>2,857,673.11</u>
Debt Service:					
Loan Principal and Interest	<u>1,040,608.00</u>	<u>1,040,608.00</u>		-	<u>970,549.11</u>
Total Debt Service	<u>1,040,608.00</u>	<u>1,040,608.00</u>		-	<u>970,549.11</u>
Reserves:					
Renewal and Replacement	675,000.00	675,000.00		-	675,000.00
Reserve for Future Health Benefits	100,000.00	100,000.00		-	40,000.00
Debt Service Coverage	<u>104,061.00</u>	<u>104,061.00</u>	-	-	<u>104,121.00</u>
Total Reserves	<u>879,061.00</u>	<u>879,061.00</u>	-	-	<u>819,121.00</u>
Total Budget	<u>\$ 5,164,669.00</u>	<u>\$ 4,569,355.67</u>	<u>\$ 102,359.24</u>	<u>\$ 492,954.09</u>	<u>\$ 4,647,343.22</u>

**OTHER SUPPLEMENTARY INFORMATION**

**THE TOWN OF HACKETTSTOWN MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF HACKETTSTOWN )  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - RESTRICTED AND UNRESTRICTED**

	Unrestricted	Restricted						Totals (Memorandum Only)				
		Developer's Escrow	Post Employment Benefits Fund	Construction	Bond Service	Bond Reserve-Wastewater	Bond Reserve-USDA	Renewal and Replacement	Rate Stabilization	General	Operating	2008-2009
<b>Operating Revenues:</b>												
Water Charges and Fees	\$ 2,060,661.71											\$ 2,060,661.71
Sewer Charges and Fees	2,705,632.18											2,705,632.18
Connection Fees	567,167.25											567,167.25
	<u>5,333,461.14</u>											<u>5,333,461.14</u>
<b>Operating Expenses:</b>												
Water	1,389,792.48											1,389,792.48
Sewer	1,362,253.43											1,362,253.43
Depreciation	981,800.55											981,800.55
	<u>3,733,846.46</u>											<u>3,733,846.46</u>
Operating Income	1,599,614.68											1,599,614.68
<b>Non Operating Revenues and (Expenses):</b>												
Interest Income	2,511.84	328.05	3,343.63	84,222.70	34,447.76	34,221.73	699.60	32,560.21	147,543.00			339,878.52
Interest Expense - Wastewater/USDA	(129,634.40)											(129,634.40)
Accrued Interest on Debt	5,326.09											5,326.09
Adjustment to Capital Assets	523,120.16											523,120.16
Compensated Absences	(21,607.19)			(457,374.44)			(602,367.88)					(21,607.19)
Non-Capitalized Expenditures												
Escrow Deposits	55,856.79											55,856.79
Refund of Escrow Deposits	(52,320.87)											(52,320.87)
Miscellaneous												
	<u>379,716.50</u>	<u>3,863.97</u>	<u>3,343.63</u>	<u>(373,151.74)</u>	<u>34,447.76</u>	<u>34,221.73</u>	<u>(601,668.28)</u>	<u>32,560.21</u>	<u>147,543.00</u>			<u>(339,123.22)</u>
Net Income (Deficit) Before Transfers	1,979,331.18	3,863.97	3,343.63	(373,151.74)	34,447.76	34,221.73	(601,668.28)	32,560.21	147,543.00			1,280,491.46
<b>Transfers:</b>												
Other	(1,443,364.12)	(21,526.22)	100,000.00	587,890.34	(34,447.76)	102,000.00	675,000.00	(32,560.21)	(147,543.00)			-
Interest Income	248,772.70											-
Increase in Net Assets	784,739.76	(17,662.25)	103,343.63	214,738.60	-	102,000.00	73,331.72	-	-			1,280,491.46
Net Assets December 1	48,271,411.13	160,797.89	40,967.24	3,185,539.99	-	384,000.00	108,388.91	750,000.00	-		20,000.00	52,921,105.16
Net Assets November 30	\$ 49,056,150.89	\$ 143,135.64	\$ 144,310.87	\$ 3,400,278.59	\$ -	\$ 384,000.00	\$ 181,720.63	\$ 750,000.00	\$ -	\$ -	\$ 20,000.00	\$ 54,181,596.62

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

**SCHEDULE OF ACCOUNTS RECEIVABLE - USER CHARGES AND FEES**

	<u>Total</u>	<u>Water</u>	<u>Sewer</u>
Balance December 1, 2008	\$ 200,679.90	\$ 96,955.02	\$ 103,724.88
Increased by:			
User Charges Billed in 2008-2009	<u>4,766,293.89</u>	<u>2,060,661.71</u>	<u>2,705,632.18</u>
	<u>4,966,973.79</u>	<u>2,157,616.73</u>	<u>2,809,357.06</u>
Decreased by:			
Collections	<u>4,838,511.28</u>	<u>2,086,134.74</u>	<u>2,752,376.54</u>
Balance November 30, 2009	<u>\$ 128,462.51</u>	<u>\$ 71,481.99</u>	<u>\$ 56,980.52</u>

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

**SCHEDULE OF CONSTRUCTION IN PROGRESS**

Balance December 1, 2008		\$ 65,265.16
Increased by:		
Contracts Awarded in 2008-2009	\$ 291,579.00	
Change Orders Awarded in 2008-2009	<u>3,005.00</u>	
		<u>294,584.00</u>
		359,849.16
Decreased by:		
Transferred to Property, Plant & Equipment		<u>65,265.16</u>
Balance November 30, 2009		<u>\$ 294,584.00</u>
 <u>Analysis of Balance November 30, 2009</u>		
WJ Harrington Construction Co.		<u>\$ 294,584.00</u>



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

**SCHEDULE OF CONTRACTS PAYABLE**

Balance December 1, 2008		\$ 37,565.30
Increased by:		
Contracts Awarded in 2008-2009	\$ 291,579.00	
Change Orders Awarded in 2008-2009	<u>3,005.00</u>	
		<u>294,584.00</u>
		<u>332,149.30</u>
Decreased by:		
Paid in 2008-2009	\$ 262,116.54	
Transferred to Retainage Due to Contractors	<u>4,582.68</u>	
		<u>266,699.22</u>
Balance November 30, 2009		<u>\$ 65,450.08</u>
 <u>Analysis of Balance November 30, 2009</u>		
WJ Harrington Construction Co.		<u>\$ 65,450.08</u>

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

## SCHEDULE OF RETAINAGE DUE TO CONTRACTORS

Balance December 1, 2008	\$ -
Increased by:	
Transferred from Contracts Payable	<u>4,582.68</u>
	4,582.68
Decreased by:	
Paid in 2008-2009	<u>-</u>
Balance November 30, 2009	<u>\$ 4,582.68</u>

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

**SCHEDULE OF NEW JERSEY WASTEWATER TREATMENT FINANCING  
PROGRAM LOAN PAYABLE**

Balance December 1, 2008	\$ 1,680,330.78
Decreased by:	
Net Amount Paid in 2008-2009	<u>825,362.44</u>
Balance November 30, 2009	<u>\$ 854,968.34</u>

Analysis of Loan Payable November 30, 2009

<u>Date</u>	<u>Fund Program</u>	<u>Trust Program</u>	<u>Total</u>
10/1/2010	<u>\$ 330,714.76</u>	<u>\$ 524,253.58</u>	<u>\$ 854,968.34</u>

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

Schedule 7

**SCHEDULE OF UNITED STATES DEPARTMENT OF AGRICULTURE  
LOAN PAYABLE**

Balance December 1, 2008	\$ 2,280,679.87
Decreased by:	
Paid in 2008-2009	24,149.53
Balance November 30, 2009	\$ 2,256,530.34

Analysis of Loan Payable November 30, 2009

<u>Year</u>	<u>April 1,</u>	<u>October 1,</u>	<u>Total</u>
2010	\$ 12,472.40	\$ 12,745.23	\$ 25,217.63
2011	13,024.03	13,308.93	26,332.96
2012	13,600.07	13,897.57	27,497.64
2013	14,201.58	14,512.24	28,713.82
2014	14,829.69	15,154.09	29,983.78
2015	15,485.59	15,824.33	31,309.92
2016	16,170.49	16,524.22	32,694.71
2017	16,885.69	17,255.06	34,140.75
2018	17,632.52	18,018.23	35,650.75
2019	18,412.38	18,815.15	37,227.53
2020	19,226.73	19,647.31	38,874.04
2021	20,077.10	20,516.29	40,593.39
2022	20,965.08	21,423.69	42,388.77
2023	21,892.23	22,371.23	44,263.46
2024	22,860.60	23,360.67	46,221.27
2025	23,871.69	24,393.88	48,265.57
2026	24,927.50	25,472.79	50,400.29
2027	26,030.01	26,599.41	52,629.42
2028	27,181.27	27,775.86	54,957.13
2029	28,383.46	29,004.35	57,387.81
2030	29,638.82	30,287.17	59,925.99
2031	30,949.70	31,626.72	62,576.42
2032	32,318.56	33,025.53	65,344.09
2033	33,747.96	34,486.20	68,234.16
2034	35,240.58	36,011.47	71,252.05
2035	36,799.22	37,604.21	74,403.43
2036	38,426.80	39,267.38	77,694.18
2037	40,126.36	41,004.12	81,130.48
2038	41,901.09	42,817.67	84,718.76
2039	43,754.31	44,711.44	88,465.75
2040	45,689.50	46,688.96	92,378.46
2041	47,710.28	48,753.94	96,464.22
2042	49,820.43	50,910.25	100,730.68
2043	52,023.92	53,161.94	105,185.86
2044	54,324.86	55,513.21	109,838.07
2045	56,727.56	57,968.48	114,696.04
2046	59,236.54	59,504.52	118,741.06
	\$ 1,116,566.60	\$ 1,139,963.74	\$ 2,256,530.34

**REPORTS PURSUANT TO GOVERNMENT AUDITING STANDARDS**

Vincent M. Montanino, RMA, PSA  
Michael S. Zambito, CPA, RMA  
Antonia Russo, Associate

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

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

We have audited the financial statements of the Town of Hackettstown Municipal Utilities Authority (A Component Unit of the Town of Hackettstown) as of and for the year ended November 30, 2009, and have issued our report thereon dated March 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 (A Component Unit of the Town of Hackettstown) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hackettstown Municipal Utilities Authority's (A Component Unit of the Town of Hackettstown) 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.

This report is intended solely for the information and use of management, the Town of Hackettstown Municipal Utilities Authority (A Component Unit of the Town of Hackettstown), the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Vincent M. Montanino  
Registered Municipal Accountant  
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Michael S. Zambito  
Certified Public Accountant  
License No. 20CC00789500

March 8, 2010