

THE HARDYSTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2020 AND 2019

THE HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

TABLE OF CONTENTS

<u>Page</u>		<u>Exhibit</u>
1	Independent Auditor's Report	
	REQUIRED SUPPLEMENTARY INFORMATION	
4	Management Discussion and Analysis	
	BASIC FINANCIAL STATEMENTS	
13	Statement of Net Position	A
15	Statement of Revenues, Expenses and Changes in Net Position	B
16	Statement of Cash Flows	C
18	Notes to the Financial Statements	
	SUPPLEMENTARY SCHEDULES	
38	Schedule of Revenues, Expenses and Changes in Net Position - Restricted and Unrestricted	1
39	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents	2
40	Schedule of Operating Revenues and Cost Funded by Operating Revenues Compared to Budget	3
42	Schedule of Capital Financing Sources and Costs Funded by Capital Financing Sources Compared to Budget	4
43	Roster of Officials	5
44	Independent 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	
46	Schedule of Findings and Questioned Costs	
47	General Comments	
48	Status of Prior Years' Audit Findings/Recommendations	



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INDEPENDENT AUDITOR'S REPORT

The Chairman and Commissioners of the
Hardyston Township Municipal Utilities Authority
149 Wheatsworth Road, Suite A
Hardyston, New Jersey 07419

Report on the Financial Statements

We have audited the accompanying statements of net position of the Hardyston Township Municipal Utilities Authority as of August 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

Basis for Adverse Opinion on the Financial Statements

Management has not recorded certain contributed assets in the financial statements and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those contributed assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Financial Statements" paragraph, the financial statements referred to previously do not present fairly the net position of the Hardyston Township Municipal Utilities Authority, as of August 31, 2020 and 2019, or the changes in net position thereof for the years then ended.

Emphasis of Matter

Prior Period Restatement

The prior period financial statements have been restated to include a loan receivable and loan payable issued by the New Jersey Infrastructure Bank ("NJIB") to the Authority on September 12, 2018, as discussed in Notes 10 and 16 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards



Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Hardyston Township Municipal Utilities Authority's financial statements. The schedule of revenues, expenses and changes in net position - restricted and unrestricted; schedule of cash receipts, cash disbursements and changes in cash and cash equivalents - unrestricted and restricted; schedule of operating revenue and costs funded by operating revenue compared to budget; schedule of capital budget program funded by financing services; and roster of officials (collectively referred to as the "Supplementary Schedules") are presented for purposes of additional analysis and are not a required part of the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 on our consideration of the Hardyston Township 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 Hardyston Township Municipal Utilities Authority's internal control over financial reporting and compliance.

Wielkatz & Company, LLC

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

November 16, 2020



Required Supplementary Information

Management Discussion and Analysis

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

As management of the Hardyston Township Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended August 31, 2020 and 2019. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows of resources exceeded its liabilities by \$6,662,041 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities by \$6,723,951.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$3,898,979 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net position of \$2,763,062 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority increased by \$58,747 to \$1,977,021 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.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Overview of the Financial Statements (Continued)

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 operations over the past year and can be used to determine whether the Authority has recovered all its costs through its 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 deferred outflows of resources 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.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

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 net position at fiscal year-end was \$6,662,041. This is a \$61,910 decrease under last year's net position of \$6,723,951.

A summary of the Authority's current year statement of net position is presented with comparative prior year balances in the following table:

**Condensed Statement of Net Position at August 31, 2020
With Comparative Prior Year Balances**

	<u>FY 2020</u>	<u>Restated FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	4,740,083	5,295,514	(555,431)	(10.49)%
Capital Assets	<u>3,772,893</u>	<u>3,206,616</u>	<u>566,277</u>	17.66%
Total Assets	<u>8,512,976</u>	<u>8,502,130</u>	<u>10,846</u>	0.13%
Total Deferred Outflows of Resources	<u>126,086</u>	<u>140,095</u>	<u>(14,009)</u>	(10.00)%
Total Liabilities	<u>1,977,021</u>	<u>1,918,274</u>	<u>58,747</u>	3.06%
Net Investment in Capital Assets	3,898,979	3,346,711	552,268	16.50%
Unrestricted	<u>2,763,062</u>	<u>3,377,240</u>	<u>(614,178)</u>	(18.19)%
Total Net Position	<u>6,662,041</u>	<u>6,723,951</u>	<u>(61,910)</u>	(0.92)%

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative FY 2018 year balances in the following table:

**Condensed Statement of Net Position at August 31, 2019
With Comparative Prior Year Balances**

	<u>Restated FY 2019</u>	<u>Restated FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	5,295,514	4,767,593	527,921	11.07%
Capital Assets	<u>3,206,616</u>	<u>3,309,681</u>	<u>(103,065)</u>	(3.11)%
Total Assets	<u>8,502,130</u>	<u>8,077,274</u>	<u>424,856</u>	5.26%
Total Deferred Outflows of Resources	<u>140,095</u>	<u>154,104</u>	<u>(14,009)</u>	(9.09)%
Total Liabilities	<u>1,918,274</u>	<u>1,548,510</u>	<u>369,764</u>	23.88%
Net Investment in Capital Assets	3,346,711	3,463,785	(117,074)	(3.38)%
Unrestricted	<u>3,377,240</u>	<u>3,219,083</u>	<u>158,157</u>	4.91%
Total Net Position	<u>6,723,951</u>	<u>6,682,868</u>	<u>41,083</u>	0.61%

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

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 decreased by \$61,910 in FY 2020 and increased by \$41,083 in FY 2019.

**Condensed Statement of Revenues, Expenses and Changes
in Net Position for the Year Ending August 31, 2020
With Comparative Prior Year Balances**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	1,372,957	1,592,450	(219,493)	(13.78)%
Non-Operating Revenues	<u>36,593</u>	<u>47,113</u>	<u>(10,520)</u>	(22.33)%
Total Revenues	<u>1,409,550</u>	<u>1,639,563</u>	<u>(230,013)</u>	(14.03)%
Depreciation	118,046	121,440	(3,394)	(2.79)%
Other Operating Expenses	1,332,782	1,477,040	(144,258)	(9.77)%
Other Non-Operating Expenses	<u>20,632</u>	<u> </u>	<u>20,632</u>	100.00%
Total Expenses	<u>1,471,460</u>	<u>1,598,480</u>	<u>(127,020)</u>	(7.95)%
Change in Net Position	<u>(61,910)</u>	<u>41,083</u>	<u>(102,993)</u>	(250.69)%
Beginning Net Position	<u>6,723,951</u>	<u>6,682,868</u>	<u>41,083</u>	0.61%
Ending Net Position	<u>6,662,041</u>	<u>6,723,951</u>	<u>(61,910)</u>	(0.92)%

The Authority's Operating Revenues decreased by \$219,413 to \$1,372,957 in 2020 from \$1,592,450 in 2019 due to a decrease in High Ridge Properties developer's contribution. The Authority's non-operating revenues decreased by \$10,520 to \$36,593 in 2020 from \$47,113 in 2019 due to a decrease in interest earned because of lower cash balance and interest rates.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and changes in net position is presented with comparative FY18 year figures in the following table:

**Condensed Statement of Revenues, Expenses and Changes
in Net Position for the Year Ending August 31, 2019
With Comparative Prior Year Balances**

	<u>FY 2019</u>	<u>Restated FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	1,592,450	1,563,115	29,335	1.88%
Non-Operating Revenues	<u>47,113</u>	<u>36,720</u>	<u>10,393</u>	28.30%
Total Revenues	<u>1,639,563</u>	<u>1,599,835</u>	<u>39,728</u>	2.48%
Depreciation	121,440	116,924	4,516	3.86%
Other Operating Expenses	<u>1,477,040</u>	<u>1,428,711</u>	<u>48,329</u>	3.38%
Total Expenses	<u>1,598,480</u>	<u>1,545,635</u>	<u>52,845</u>	3.42%
Change in Net Position	<u>41,083</u>	<u>54,200</u>	<u>(13,117)</u>	(24.20)%
Beginning Net Position	6,682,868	5,400,205	1,282,663	23.75%
Prior Period Adjustment	_____	<u>1,228,463</u>	<u>(1,228,463)</u>	100.00%
Beginning Net Position, as Restated	<u>6,682,868</u>	<u>6,628,668</u>	<u>54,200</u>	0.82%
Ending Net Position	<u>6,723,951</u>	<u>6,682,868</u>	<u>41,083</u>	0.61%

The Authority's Operating Revenues increased by \$29,335 to \$1,592,450 in 2019 from \$1,563,115 in 2018 due to an increase in water and sewer customers and developer's contribution. The Authority's non-operating revenues increased by \$10,393 to \$47,113 in 2019 from \$36,720 in 2018 due to an increase in interest rate earned on investments.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Budgetary Highlights

The Authority prepares and submits an annual budget to the State of New Jersey, which approves the budget for adoption by the Authority prior to the beginning of the fiscal year.

The following table provides a 2020 and 2019 budget comparison:

Budget vs. Actual FY 2020			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	1,423,332	1,372,957	(50,375)
Non-Operating	<u>40,000</u>	<u>36,593</u>	<u>(3,407)</u>
Total Revenues	<u>1,463,332</u>	<u>1,409,550</u>	<u>(53,782)</u>
Expenses:			
Operating	1,442,700	1,318,773	(123,927)
Non-Operating Reserves	<u>20,632</u>	<u>20,632</u>	<u> </u>
Total Expenses	<u>1,463,332</u>	<u>1,339,405</u>	<u>(123,927)</u>
Income Before Depreciation and Amortization	<u><u> </u></u>	<u><u>70,145</u></u>	<u><u>70,145</u></u>

Budget vs. Actual FY 2019			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	1,426,280	1,592,450	166,170
Non-Operating	<u>30,000</u>	<u>47,113</u>	<u>17,113</u>
Total Revenues	<u>1,456,280</u>	<u>1,639,563</u>	<u>183,283</u>
Expenses:			
Operating	1,433,100	1,481,406	48,306
Non-Operating Reserves	<u>23,180</u>	<u>23,180</u>	<u> </u>
Total Expenses	<u>1,456,280</u>	<u>1,504,586</u>	<u>48,306</u>
Income Before Depreciation and Amortization	<u><u> </u></u>	<u><u>134,977</u></u>	<u><u>134,977</u></u>

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Budgetary Highlights (Continued)

The HTMUA determines sewer and water charges based primarily on three separate cost elements. These cost elements include an annual operating charge imposed by the Sussex County Municipal Utilities Authority (SCMUA), an annual debt service charge imposed by the SCMUA, and an annual operating, maintenance and administration charge imposed by the Hardyston Township Municipal Utilities Authority. A public hearing is conducted annually in accordance with N.J.S.A. 40:14B.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During 2020, the Authority's net property, plant and equipment at fiscal year-end was \$3,772,893. This is a \$566,277 increase over last year's net property, plant and equipment of \$3,206,616.

A summary of the Authority's capital assets is presented in the following table:

CAPITAL ASSETS

	<u>FY2020</u>	<u>FY2019</u>	<u>Restated FY2018</u>
Forest Hill Village	\$1,723,276	\$1,723,276	\$1,723,276
Crystal Springs	3,653,419	3,653,419	3,653,419
Briar Crest	368,935	368,935	368,935
HTMUA	<u>1,181,782</u>	<u>479,084</u>	<u>433,924</u>
Total Property, Plant and Equipment	6,927,412	6,224,714	6,179,554
Construction in Progress		18,375	45,160
Less: Accumulated Depreciation	<u>(3,154,519)</u>	<u>(3,036,473)</u>	<u>(2,915,033)</u>
Net Property, Plant and Equipment	<u>\$3,772,893</u>	<u>\$3,206,616</u>	<u>\$3,309,681</u>

As mentioned in Note 5 of the Notes to the Financial Statements, several contributed water and sewer systems are not included in the summary of the Authority's capital assets above.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Capital Assets (Continued)

The Authority's ongoing capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below:

Various Water Capital Improvements	\$300,000
Various Sewer Capital Improvements	300,000
Improvements to Water Tanks and Meters	<u>1,400,000</u>
	<u>\$2,000,000</u>

Debt Administration

At August 31, 2020, the Authority had a loan outstanding with the NJIB in the amount of \$84,840. As of August 31, 2020, the Authority had not yet drawn down on this loan.

Economic Factors, Future Years Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each years budget and service 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 Hardyston Township Municipal Utilities Authority, 149 Wheatsworth Road, Suite A, Hardyston, New Jersey 07419.

Basic Financial Statements

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>Restated 2019</u>
<u>ASSETS</u>		
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	2,544,181	3,157,249
Petty Cash	50	50
Developer Fees Receivable	1,711,510	1,693,000
Prepaid Expenses	9,069	9,069
Water and Sewer Rents Receivable	345,436	309,718
Total Unrestricted Assets	<u>4,610,246</u>	<u>5,169,086</u>
Restricted:		
Cash and Cash Equivalents	44,997	41,588
NJIB Loan Receivable	84,840	84,840
Total Restricted Assets	<u>129,837</u>	<u>126,428</u>
Capital Assets		
Water and Sewer System	6,927,412	6,224,714
Construction in Progress		18,375
Less: Accumulated Depreciation	<u>(3,154,519)</u>	<u>(3,036,473)</u>
Total Capital Assets	<u>3,772,893</u>	<u>3,206,616</u>
TOTAL ASSETS	<u>8,512,976</u>	<u>8,502,130</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Debits:		
Organizational Costs (Net of Amortization)	<u>126,086</u>	<u>140,095</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>126,086</u>	<u>140,095</u>

See accompanying notes to the financial statements.

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>Restated 2019</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Payable from Unrestricted Assets		
Accounts Payable and Accrued Liabilities	1,836,184	1,780,846
Deferred Revenue	3,600	3,600
Due to Swedeland Development Group, Inc.	7,400	7,400
	<u>1,847,184</u>	<u>1,791,846</u>
Payable from Restricted Assets		
Escrow Deposits Payable	44,997	41,588
NJIB Loan Payable	84,840	84,840
	<u>129,837</u>	<u>126,428</u>
TOTAL LIABILITIES	<u><u>1,977,021</u></u>	<u><u>1,918,274</u></u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	3,898,979	3,346,711
Unrestricted:		
Designated	1,890,233	2,574,556
Undesignated	872,829	802,684
TOTAL NET POSITION	<u><u>6,662,041</u></u>	<u><u>6,723,951</u></u>

See accompanying notes to the financial statements.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Water and Sewer Rents	1,248,398	1,239,515
Developer Fees	70,786	296,824
Miscellaneous	53,773	56,111
	<u>1,372,957</u>	<u>1,592,450</u>
Operating Expenses:		
Cost of Providing Services	1,063,865	1,265,668
Administrative and General	254,908	215,738
Depreciation	118,046	121,440
Amortization	14,009	14,009
	<u>1,450,828</u>	<u>1,616,855</u>
Operating Income	<u>(77,871)</u>	<u>(24,405)</u>
Nonoperating Revenue (Expenses):		
Interest on Investments	36,593	47,113
Renewal and Replacement	(20,632)	18,375
	<u>15,961</u>	<u>65,488</u>
Change in Net Position	(61,910)	41,083
Net Position, September 1	<u>6,723,951</u>	<u>6,682,868</u>
Net Position, August 31	<u>6,662,041</u>	<u>6,723,951</u>

See accompanying notes to the financial statements.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Cash Received From:		
Water and Sewer Rents	1,212,680	1,246,035
Developers Fees	52,276	77,704
Miscellaneous	53,773	56,111
Cash Paid to Vendors and Employees		
Cost of Providing Services	(1,025,750)	(962,369)
Administrative and General	(254,908)	(215,738)
	<u>38,071</u>	<u>201,743</u>
Net Cash Provided (Used) by Operating Activities:		
Cash Flows From Investing Activities:		
Interest Received	36,593	47,113
Fixed Capital Additions	(684,323)	(18,375)
	<u>(647,730)</u>	<u>28,738</u>
Net Cash Provided (Used) by Investing Activities:		
Net Increase (Decrease) in Cash	(609,659)	230,481
Cash and Cash Equivalents, Beginning of Year	<u>3,198,837</u>	<u>2,968,356</u>
Cash and Cash Equivalents, End of Year	<u><u>2,589,178</u></u>	<u><u>3,198,837</u></u>
Cash and Cash Equivalents:		
Unrestricted	2,544,181	3,157,249
Restricted	44,997	41,588
	<u><u>2,589,178</u></u>	<u><u>3,198,837</u></u>

See accompanying notes to the financial statements.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS**

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	(77,871)	(24,405)
Adjustments to Reconcile Net Income to Net Cash Used by Operating Activities:		
Depreciation	118,046	121,440
Amortization	14,009	14,009
Renewal and Replacement	(20,632)	18,375
(Increase)/Decrease in Due from Developers	(18,510)	(219,120)
(Increase)/Decrease in Accounts Receivable	(35,718)	6,520
Increase/(Decrease) in Accounts Payable	55,338	269,620
Increase/(Decrease) in Escrow Deposits Payable	<u>3,409</u>	<u>15,304</u>
Total Adjustments	<u>115,942</u>	<u>226,148</u>
Net Cash Used by Operating Activities	<u><u>38,071</u></u>	<u><u>201,743</u></u>

See accompanying notes to the financial statements.

Notes to Financial Statements

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting:

The financial statements of the Hardyston Township Municipal Utilities Authority (Authority) have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided that they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

On September 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 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."

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Organization:

The Hardyston Township Municipal Utilities Authority was created pursuant to the Municipal Utilities Law, N.J.S.A. 40:14B-1 et seq. on September 17, 1985. The Authority shall have and exercise all of the powers and perform all of the duties provided for by the Municipal Utilities Authority Law within the territorial boundaries of the Township of Hardyston in the County of Sussex, New Jersey.

The Authority's fiscal year is the twelve-month period ending August 31, on any year, or such other twelve-month period, which the Authority may establish by Resolution.

The ordinance creating the Authority provides that the Authority's governing body shall consist of five members each appointed by the Township Committee for a term of 5 years and who serve until a successor is appointed.

C. Component Unit:

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Component Unit:(continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units.

D. Inventories of Materials and Supplies:

Since the cost of inventories of materials and supplies is not material to the financial statements, it is recorded as an expenditure at the time the individual item is purchased. The cost of inventories of materials and supplies is not included on the balance sheet.

E. Organization Costs:

All costs incurred prior to the Authority beginning operations were capitalized. These costs are being amortized over a period of 40 years using the straight-line method.

F. Operations:

Prior to August 31, 1990 revenues and expenses related to all the developers were capitalized to contributed capital and organization costs respectively. Subsequent to August 31, 1990 all revenues and expenses are shown as operating.

G. Property and Depreciation:

Property received as a contribution is stated at cost on the date received.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Sewer Lines	75 Years
Sewer Pump Station	40 Years
Water System	75 Years
Water Mains	75 Years
Wells	75 Years
Water Tanks	75 Years
Water Treatment Building	75 Years
Well Pump House	75 Years
Service Meters	25 Years
Equipment	5 Years

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

G. Property and Depreciation: (continued)

Depreciation on assets acquired with contributed capital is recorded as a reduction of contributed capital.

H. Allowance for Doubtful Accounts:

The Authority does not provide for an allowance for doubtful accounts. The Authority believes that all accounts will eventually be collected either through the lien or foreclosure process. The Authority also has a water shut off procedure in place to compel collections.

I. 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 period. These estimates and assumptions include depreciation expense and the amount payable to the Borough of Sussex. Actual results could differ from those estimates.

J. Budgetary Procedures:

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Three certified copies are submitted to the director of the Division of Local

Government Services at least 60 days prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

J. Budgetary Procedures: (continued)

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No Authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comment on the proposed budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenses cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date (N.J.S.A. 5:31-2.8).

K. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include 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. 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.

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 Act. 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.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Cash, Cash Equivalents and Investments: (continued)

All collateral must be deposited with the Federal Reserve Bank of New York, The Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

L. Recent Accounting Pronouncements:

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

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

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

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

L. Recent Accounting Pronouncements: (continued)

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

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

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

L. Recent Accounting Pronouncements: (continued)

Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

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

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

L. Recent Accounting Pronouncements: (continued)

performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)

As of August 31, 2020 and 2019, cash and cash equivalents of the Hardyston Township Municipal Utilities Authority consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents:		
Checking Accounts	<u>\$2,589,178</u>	<u>\$3,198,837</u>
Analysis:		
Unrestricted Accounts	\$2,544,181	\$3,157,249
Restricted Accounts	<u>44,997</u>	<u>41,588</u>
	<u>\$2,589,178</u>	<u>\$3,198,837</u>

Deposits

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

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of August 31, 2020 and 2019, the Authority had \$-0- on deposit with the New Jersey Cash Management Fund.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)

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 August 31, 2020, \$-0- of the Authority's bank balance of \$2,585,609 was exposed to custodial risk. As of August 31, 2020 and 2019, the Authority did not hold any investments.

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 allowance investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

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

NOTE 3. ESCROW FUNDS

These funds are restricted to the expenditures related to a specified developer and can be used for no other purpose.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 4. DEVELOPERS' FEES

Developers' fees receivable at August 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
High Ridge Properties ("HRP")	\$1,693,000	\$1,693,000
Crystal Springs	<u>18,510</u>	<u> </u>
	<u>\$1,711,510</u>	<u>\$1,693,000</u>

Of this \$1,711,510 Developers' fees receivable balance reported at August 31, 2020, \$1,693,000 has been outstanding for a period greater than one year. In December 2013, the Authority put a lien on this balance and had been working with the Hardyston Township tax collector and current lienholder of the HRP taxes for collection. The Authority has not provided for an allowance for doubtful accounts in the event that this account will not be collected through settlement or through the Developer Agreement Provisions providing for revocation of sewer allocations. The Authority has an outstanding payable due to the Borough of Sussex equal to the amount receivable from HRP. Due to the high probability of the Authority not receiving this balance, the Authority will look to write off this receivable against the payable amount in a future fiscal year.

NOTE 5. LOAN RECEIVABLE

New Jersey Infrastructure Bank

On August 6, 2018, the Authority adopted a resolution authorizing the issuance of a not to exceed \$100,000 note for the Asset Management Plan Project. On September 12, 2018, the NJIB issued a note for this project in the amount of \$84,840. As of August 31, 2020, the Authority had not yet drawn down on this loan. NJIB loans receivable as of August 31, 2020 and 2019, as restated, is as follows:

	8/31/19 as Previously Reported	Add: Loans Authorized	Less: Loans Received	Restated Balance at 8/31/19	Add: Loans Authorized	Less: Loans Received	Balance at 8/31/20
NJIB Loan Receivable	<u>\$0</u>	<u>\$84,840</u>	<u>\$0</u>	<u>\$84,840</u>	<u>\$0</u>	<u>\$0</u>	<u>\$84,840</u>

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Reference is made to Note 1 for information related to property. Property, plant and equipment as of August 31, 2020 and 2019, respectively, is as follows:

Forest Hill Village

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Sewer Lines	320,918			320,918
Sewer Pump Station	122,154			122,154
Water System	234,862			234,862
Water Mains	317,149			317,149
Wells	67,373			67,373
Water Tank	414,586			414,586
Water Treatment Building	61,365			61,365
Water Tank Improvement	180,200			180,200
Well Pump House	4,669			4,669
	<u>1,723,276</u>			<u>1,723,276</u>
Total Forest Hill Village	<u>1,723,276</u>			<u>1,723,276</u>

Crystal Springs

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Water Lines	487,540			487,540
Water Tank	901,261			901,261
Water Hydrants	74,442			74,442
Water Service Connection	128,538			128,538
Water Treatment Building/System	91,405			91,405
Transfer Lines	100,101			100,101
Wells	181,487			181,487
Well House/Pump	183,613			183,613
Sewer Lines	842,973			842,973
Manhole	139,432			139,432
Sewer Pump Station	166,280			166,280
Sewer Lift Station	200,883			200,883
Sewer Service Connection	38,320			38,320
Emergency Generators	63,264			63,264
Equipment	53,880			53,880
	<u>3,653,419</u>			<u>3,653,419</u>
Total Crystal Springs	<u>3,653,419</u>			<u>3,653,419</u>

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 6. PROPERTY, PLANT AND EQUIPMENT, (continued)

Briar Crest

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Water Pipes	56,250			56,250
Water Valves / Valve Boxes	4,200			4,200
Water Hydrants	8,800			8,800
Water Service Connection	37,800			37,800
Sewer Pipe	91,525			91,525
Sewer Equipment	4,000			4,000
Manhole	21,000			21,000
Emergency Generator	15,000			15,000
Sewer Pumps	10,000			10,000
Lift Stations	75,000			75,000
Sewer Service Connection	45,360			45,360
	<u>368,935</u>			<u>368,935</u>

HTMUA

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Watersphered Tank	378,578	702,698		1,081,276
Truck	43,144			43,144
Equipment	57,362			57,362
Construction in Progress	18,375		18,375	0
Total Property, Plant and Equipment	6,243,089	702,698	18,375	6,927,412
Accumulated Depreciation	(3,036,473)	(118,046)		(3,154,519)
Net Property, Plant and Equipment	<u>3,206,616</u>	<u>584,652</u>	<u>18,375</u>	<u>3,772,893</u>

The Authority has several contributed water and sewer systems that have not been valued or included in the above list of Property, Plant and Equipment as of August 31, 2020. The Authority is currently working with the original contributing developers to determine a value of these contributed capital assets.

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 7. ORGANIZATION COSTS

Net organization costs which are listed below totaled \$126,086 and \$140,095 as of August 31, 2020 and 2019, respectively. See Note 1 regarding the amortization of organization costs.

	<u>2020</u>	<u>2019</u>
<u>Organization Costs</u>		
Secretary	\$8,584	\$8,584
Postage	65	65
Accounting	30,258	30,258
Legal	44,886	44,886
Engineering	34,668	34,668
Service Contract – SCMUA	319,926	319,926
Reimbursement Franklin & Hamburg	84,271	84,271
Office Supplies	1,365	1,365
Legal Advertising	360	360
Bank Charges	87	87
Insurance	5,785	5,785
Fees and Permits	121	121
Equipment Reserves	<u>30,000</u>	<u>30,000</u>
Total Organization Costs	560,376	560,376
Amortization of Organization Costs	<u>(434,290)</u>	<u>(420,281)</u>
Net Organization Costs	<u>\$126,086</u>	<u>\$140,095</u>

NOTE 8. CONTRIBUTED CAPITAL

Contributed Capital which is listed below was contributed by the Developers and totaled \$3,467,429 and \$3,614,278 as of August 31, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Contributed Capital – Cash		
Brotherhood Construction	\$284,459	\$284,459
Crystal Springs	383,453	383,453
Fitzgibbons/Dautel	24,484	24,484
Contributed Capital – Property		
Brotherhood Construction	1,543,076	1,543,076
Briar Crest	368,935	368,935
Crystal Springs	<u>3,636,207</u>	<u>3,636,207</u>
	6,240,614	6,240,614
Less: Accumulated Depreciation and Amortization	<u>(2,773,185)</u>	<u>(2,626,336)</u>
Net Contributed Capital	<u>\$3,467,429</u>	<u>\$3,614,278</u>

As mentioned in Note 6, several contributed water and sewer plants are not included in the list above.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 9. DEVELOPER'S AGREEMENTS

On April 12, 1995, the Authority entered into a developer agreement with the HFH Development Corp. for operation of the Indian Fields water and sewer system. One of the major financial provisions of this agreement is as follows:

“Recognizing that there are operating and maintenance costs of the Authority which must be subsidized, which costs directly related to Developer’s specific project, as well as other administration costs such as payments for insurance coverage, salary of employees, amounts to independent contractors for billing, and portions of charges from professionals such as the auditor, attorney, engineer, it is agreed by Developer to pay its proportionate share of all operating, maintenance, and administration costs until completion of the project. Developer and the owner of the project formerly known as Crystal Springs and the development owned by Anton Pilz shall be obligated to pay such costs in the proportion that their respective approved flows as set forth in their approved CP-1 application form bear to the total of such costs and expenses less the revenues in the form of water and sewer rents or charges received from unit owners in the project known as Indian Fields at Hardyston and Forest Hill Estates. It is further agreed that if any Developer advances more than his, her or its pro-rata share, such developer shall be entitled to contribution from the others of the excess amount so paid, said adjustment to be made by the Authority in the form of an assessment. Developer agrees to pay any such assessment designed to equalize the contributions between the Developers. No Developer shall be entitled to contribution among any other person, firm or corporation contracting with the Authority for sewer service.

If either this Agreement or any Agreement with either of the other Developers is annulled or terminated for any reason, the remaining Developer or Developers shall pay all such assessments and contributions as set forth above, but the obligation to make payments shall be reduced pro tanto by the amount of service charges and other revenue received from customers.”

On May 10, 1995, a similar agreement was entered into with C.S. Acquisition for the operation of the Crystal Springs water and sewer system.

The Authority, by resolution at its September 12, 1990 meeting entered into an agreement with Riverdale Quarry Co., Inc. for the operation and ownership of a fire protection system to service the industrial buildings to be located within the North Church Technical Center subdivision.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 9. DEVELOPER'S AGREEMENTS, (continued)

On September 9, 1992 the Authority revoked 10,000 gpd of sewer allocations from Dautel and reallocated the allocation to Anton Pilz, subject to the condition that he enter into a developer's agreement with the Authority and make all payments therein specified. The Authority adopted, at its December 9, 1992 meeting, a developer's agreement similar to the agreement with HFH Development Corp. and C.S. Acquisitions.

On July 7, 1999 the Authority entered into a developers agreement with Sussex National Development, Inc. ("Developer"). The Authority has applied for sewer flow allocation in the amount of 125,000 gpd from the Borough of Franklin ("Borough") and has paid a reservation fee of \$3.17 per gallon or \$396,250 to the Borough. The final sewer allocation will be obtained upon payment of a transfer fee in accordance with the ordinance of the Borough and the Reservation Agreement between the Borough and the Authority. All reservation and sewer allocation fees are being paid by the developer to the Authority.

On August 13, 2003, the HTMUA reserved 17,000 gpd and 8,000 gpd of sewer capacity allocations into the SCMUA's Upper Wallkill System for Wallkill Valley and the YMCA, respectively. These reservations are subject to conditions entered into a developers agreement with the Authority that was adopted at its August 13, 2003 meeting. Some of the major provisions of this agreement require the Authority to collect the following annual payments from developers on a quarterly basis. These payments are paid quarterly by the HTMUA to the Borough of Franklin.

At a meeting held on February 28, 2007, the Authority passed a resolution regarding a Sewer System Agreement with High Ridge Properties, L.L.C. regarding the acquisition of 25,000 gallons per day of sewage allocation from the Borough of Sussex and a written agreement with High Ridge for the development, construction, management and use of a sanitary sewage collection system.

In April 2012, judgment was in favor of the Authority against Beaver Run Shopping Center, LLC. This case was consolidated with the below-referenced High Ridge litigation.

In June 2012, judgment was in favor of the Authority against High Ridge Properties, LLC in the amount of \$350,092 plus counsel fees. As of the year end 2020, the Authority has not received any payment. After actively working with the Hardyston Township tax collector and current lienholder of HRP for collection, there is a high probability of noncollection and the Authority will look to write off the amount due from HRP in a future fiscal year.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 10. LOAN PAYABLE

New Jersey Infrastructure Bank

On August 6, 2018, the Authority adopted a resolution authorizing the issuance of a not to exceed \$100,000 note for the Asset Management Plan Project. On September 12, 2018, the NJIB issued a note for this project in the amount of \$84,840. As of August 31, 2020, the Authority had not yet drawn down on this loan. NJIB loans payable as of August 31, 2020 and 2019, as restated, is as follows:

	<u>8/31/19 as Previously Reported</u>	<u>Issued</u>	<u>Repayments</u>	<u>Restated Balance at 8/31/19</u>	<u>Issued</u>	<u>Repayments</u>	<u>Balance at 8/31/20</u>
NJIB Loan Payable	<u>\$0</u>	<u>\$84,840</u>	<u>\$0</u>	<u>\$84,840</u>	<u>\$0</u>	<u>\$0</u>	<u>\$84,840</u>

NOTE 11. OTHER MATTERS

The Authority currently services 360 customers at its Indian Field water and sewer system and 927 at its Crystal Springs water and sewer system. The Authority is able to finance the operating cost of these systems through water and sewer charges and its developers' agreements (see Note 8 for more information) until such time as the development is substantially completed.

NOTE 12. RISK MANAGEMENT

The Hardyston Township 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 disaster.

Property and Liability Insurance

The Authority is currently a member of the Statewide Insurance Fund, a public entity insurance fund that provides members with Property, Liability and Worker's Compensation Insurance.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 13. UNRESTRICTED – DESIGNATED NET POSITION

As mentioned in Note 1, GASB No.34 classifies net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt as “unrestricted”. Of this amount unrestricted, the Authority has designated for the following reserves:

	<u>2020</u>	<u>2019</u>
Reserve for Renewal and Replacement	\$1,874,736	\$2,559,059
Reserve for Purchase of Equipment	<u>15,497</u>	<u>15,497</u>
	<u>\$1,890,233</u>	<u>\$2,574,556</u>

NOTE 14. COMMITMENTS AND CONTINGENCIES

The Authority has committed the 477,000 GPD of capacity it has received from the Sussex County Municipal Utilities Authority as follows:

Indian Fields	89,500
Crystal Springs	327,500
High Ridge Properties	25,000
YMCA	10,000
Wallkill Valley RHS	17,000
Crystal Springs	<u>8,000</u>
	<u>477,000</u>

The Authority has received a billing statement dated October 11, 2013 from Sussex Borough indicating that the HTMUA is delinquent in the amount of \$1,038,031 in payment of its sewer allocation costs on behalf of High Ridge Properties, Inc. High Ridge Properties, Inc. has been making partial payments to the HTMUA. The HTMUA has been satisfying first the contractual obligations of High Ridge to the HTMUA and forwarding the remaining balance to Sussex Borough. During fiscal year ending August 31, 2020, the Authority has accrued a receivable and a liability in the amount of \$1,693,000 as a pass-through to Sussex Borough.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019**

NOTE 15. SUBSEQUENT EVENTS

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

The Hardyston Township Municipal Utilities Authority has evaluated subsequent events through November 16, 2020, the date which the financial statements were available to be issued. No additional items were noted for disclosure.

NOTE 16. PRIOR PERIOD RESTATEMENT

On August 6, 2018, the Authority adopted a resolution authorizing the issuance of a not to exceed \$100,000 note for the Asset Management Plan Project. On September 12, 2018, the NJIB issued a note for this project in the amount of \$84,840. As of August 31, 2020, the Authority had not yet drawn down on this loan. The prior period financial statements have been restated as follows:

	Balance 08/31/19 as Previously <u>Reported</u>	Prior Period <u>Adjustment</u>	Balance 08/31/19 <u>as Restated</u>
NJIB Loan Receivable	\$-0-	\$84,840	\$84,840
NJIB Loan Payable	\$-0-	\$84,840	\$84,840

Supplementary Schedules

SCHEDULE 1

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION - RESTRICTED AND UNRESTRICTED
 FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	Net Investment in Capital Assets	Unrestricted			Total (Memo)
		Designated Renewal and Replacement	Equipment Reserve	Undesignated	
		2020	2019	2020	2019
Operating Revenues:					
Water and Sewer				1,248,398	1,239,515
Developer Fees				70,786	296,824
Miscellaneous				53,773	56,111
Total Operating Revenues				1,372,957	1,592,450
Operating Expenses:					
Costs of Providing Services				1,063,865	1,265,668
Administrative and General				254,908	215,738
Depreciation	118,046			118,046	121,440
Amortization	14,009			14,009	14,009
Total Operating Expenses	132,055			1,450,828	1,616,855
Operating Income (Loss)	(132,055)			(77,871)	(24,405)
Non-Operating Revenue (Expenses):					
Interest Income				36,593	47,113
Renewal and Replacement (net)	684,323	(684,323)		(20,632)	18,375
Total Non-Operating Revenue (Expenses)	684,323	(684,323)		15,961	65,488
Increase/(Decrease) in Net Position	552,268	(684,323)		(61,910)	41,083
Net Position - September 1,	3,346,711	2,559,059	15,497	6,723,951	6,682,868
Net Position - August 31,	3,898,979	1,874,736	15,497	6,662,041	6,723,951

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	HTMUA Operating Account	Crystal Springs Account	Indian Fields Account	Renewal and Replacement Account	Escrow Account	Total (Memo) 2020	2019
Cash and Cash Equivalents - September 1,	42,598	680,563	308	2,433,780	41,588	3,198,837	2,968,356
Cash Receipts:							
Contributions/Developers Fees	52,276					52,276	77,704
Interest Income	4,665	4,833	3	26,594	498	36,593	47,113
Water and Sewer Rents	1,212,680					1,212,680	1,246,035
Developers Deposits					28,500	28,500	22,125
Miscellaneous	53,850					53,850	63,598
Transfers	1,993,679	472,531				2,466,210	2,138,737
Total Cash and Cash Equivalents Available	3,359,748	1,157,927	311	2,460,374	70,586	7,048,946	6,563,668
Cash Disbursements:							
Operations	1,993,558					1,993,558	1,226,094
Transfers	976,083	785,433		679,105	25,589	2,466,210	2,138,737
Total Cash Disbursements	2,969,641	785,433		679,105	25,589	4,459,768	3,364,831
Cash and Cash Equivalents - August 31,	390,107	372,494	311	1,781,269	44,997	2,589,178	3,198,837
Balance Comprised of:							
Cash and Cash Equivalents	390,107	372,494	311	1,781,269	44,997	2,589,178	3,198,837
	390,107	372,494	311	1,781,269	44,997	2,589,178	3,198,837
Unrestricted	390,107	372,494	311	1,781,269	44,997	2,544,181	3,157,249
Restricted						44,997	41,588
	390,107	372,494	311	1,781,269	44,997	2,589,178	3,198,837

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET YEAR ENDED AUGUST 31, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2019

	<u>2020 Budget</u>	<u>2020 Budget After Modification</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Revenues:				
Developer Fees	143,044	143,044	70,786	296,824
Interest on Investments	40,000	40,000	36,593	47,113
User Charges and Fees	1,229,288	1,229,288	1,248,398	1,239,515
Miscellaneous	51,000	51,000	53,773	56,111
Total Revenues	<u>1,463,332</u>	<u>1,463,332</u>	<u>1,409,550</u>	<u>1,639,563</u>
Expenditures:				
Cost of Providing Services:				
Fees, Permits and Dues	8,000	8,000	6,066	5,905
Contracted Operators	208,000	208,000	207,989	203,890
Electricity	66,000	66,000	61,235	64,484
Natural Gas	3,000	3,000	2,996	2,503
Lab Testing	10,000	10,000	11,255	17,306
Materials & Repairs	96,000	96,000	136,722	76,146
Service Contract - SCMUA	694,000	694,000	612,196	653,457
Service Contract Borough of Sussex	65,000	65,000		225,070
Chemicals	11,000	11,000	18,708	10,094
Alarm System	7,500	7,500	6,698	6,813
Sub-total Cost of Providing Services	<u>1,168,500</u>	<u>1,168,500</u>	<u>1,063,865</u>	<u>1,265,668</u>
Administrative and General:				
Interlocal Service Agreement-Hardyston	114,100	114,100	113,089	111,472
Accounting and Auditing	24,000	24,000	20,672	18,000
Legal Fees	42,000	42,000	21,539	23,321
Engineering Fees	46,600	46,600	64,594	28,088
Stationary and Supplies	4,500	4,500	1,047	815
Legal Advertising	2,000	2,000		
Insurance	28,000	28,000	27,208	27,208
Postage	5,000	5,000	3,194	3,413
Miscellaneous	2,000	2,000	293	149
Computer Software	6,000	6,000	3,272	3,272
Sub-total Administrative and General	<u>274,200</u>	<u>274,200</u>	<u>254,908</u>	<u>215,738</u>
Reserves:				
Renewal and Replacement	20,632	20,632	20,632	23,180
Sub-total Reserves	<u>20,632</u>	<u>20,632</u>	<u>20,632</u>	<u>23,180</u>
Total Expenditures	<u>1,463,332</u>	<u>1,463,332</u>	<u>1,339,405</u>	<u>1,504,586</u>

HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET YEAR ENDED AUGUST 31, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2019

	<u>2020 Budget</u>	<u>2020 Budget After Modification</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Excess or (Deficit)			70,145	134,977
Reconciliation of Budgetary Basis to GAAP:				
Renewal and Replacement, net			(684,323)	23,180
Capitalization of Water Tank Project to Construction in Progress			684,323	18,375
Depreciation Expense			(118,046)	(121,440)
Amortization			(14,009)	(14,009)
Total Adjustments			<u>(132,055)</u>	<u>(93,894)</u>
Change in Net Position			<u><u>(61,910)</u></u>	<u><u>41,083</u></u>

SCHEDULE 4

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CAPITAL FINANCING SOURCES AND COSTS
FUNDED BY CAPITAL FINANCING SOURCES COMPARED TO BUDGET**

	<u>2020 Budget</u>	<u>2020 Budget After Modification</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Capital Financing Sources:				
Unrestricted Net Position Utilized				
Debt Authorization	1,400,000	1,400,000		
Renewal & Replacement Reserve	<u>600,000</u>	<u>600,000</u>	<u>684,323</u>	<u>18,375</u>
Total Revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>684,323</u>	<u>18,375</u>
Expenditures:				
Capital Outlays:				
Improvements to Water Tanks & Meters	1,400,000	1,400,000	684,323	18,375
Various Capital Projects - Water	300,000	300,000		
Various Capital Projects - Sewer	<u>300,000</u>	<u>300,000</u>		
Total Costs Funded by Capital Financing Sources	<u>2,000,000</u>	<u>2,000,000</u>	<u>684,323</u>	<u>18,375</u>

SCHEDULE 5

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
AUGUST 31, 2020**

The following officials were in office on August 31, 2020:

Board Commissioners

Positions

Frank Cicerale

Chairman

Stanley Kula

Vice Chairman

Ellis Marples

Secretary

Brian Kaminski

Treasurer

Michael O'Grady

Commissioner

Michele Van Allen

Commissioner

Authority Professionals

Wielkocz & Company, LLC

Auditors

DeCotiis, FitzPatrick, Cole & Giblin, LLP

Attorney

Van Cleef Engineering Associates LLC

Engineer



WIELKOTZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Steven D. Wielkocz, CPA, RMA, PSA
Matthew B. Wielkocz, CPA, PSA
Paul J. Cuva, CPA, RMA, PSA
James J. Cerullo, CPA, RMA, PSA
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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 Chairman and Commissioners of the
Hardyston Township Municipal Utilities Authority
149 Wheatsworth Road, Suite A
Hardyston, New Jersey 07419

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 Hardyston Township Utilities Authority, as of and for the year ended August 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Hardyston Township 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 Hardyston Township Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardyston Township 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 2020-001) to be a material weakness.

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 charged with governance.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardyston Township 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. We noted certain other matters that we reported to management of the Authority in the comments and recommendations section of this report.

This report is intended solely for the information of the governing body, management, and The Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wielkatz & Company, LLC

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

November 16, 2020

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2020**

FINDING: 2020-001*

STATEMENT OF CONDITION

Evidence of failure to properly maintain an itemized fixed assets schedule.

CRITERIA

Governmental entities should maintain a fixed asset list providing the cost and description of property and equipment, as well as any depreciation previously expensed against such listed assets. This list should be updated regularly to include purchases or contributions of new capital items and exclude capital assets that have been disposed of or replaced.

EFFECT

Absent or inadequate controls over the safeguarding of assets. The Authority's fixed asset list does not include several contributed water and sewer systems.

CAUSE

Unknown

RECOMMENDATION

The Authority should maintain a fixed asset list providing the cost and description of its property and equipment, as well as any depreciation previously expensed against such listed assets.

MANAGEMENT'S RESPONSE

Management recognizes the importance of maintaining an itemized fixed asset schedule and is investing possible solutions to this problem.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS**

Contracts and Agreements Requiring Advertisement for Bid

Effective January 1, 2011 and thereafter the bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$17,500.

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 total sum of \$26,000, 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 \$44,000.00.

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 Authority Counsel's opinion should be sought before a commitment is made.

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

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 material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Condition of Records

The Authority's records were in good order.

**HARDYSTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATUS OF PRIOR YEARS' AUDIT FINDINGS/RECOMMENDATIONS**

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

There were no problems and weaknesses noted in our review that were of such magnitude that they would effect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

Very truly yours,

Wielkatz & Company, LLC

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