

MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2019 AND 2018

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**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

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**THE MANCHESTER UTILITIES AUTHORITY
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INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Members of the
Manchester Utilities Authority
Haledon, NJ 07508

Report on the Financial Statements

We have audited the accompanying statements of net position of the Manchester Utilities Authority (a Component Unit of the Borough of Haledon) as of December 31, 2019 and 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Manchester Utilities Authority as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Honorable Chairperson and Members of the
Manchester Utilities Authority
Page 3.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2020 on our consideration of the Manchester 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 Manchester Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

Wielkotz & Company, LLC

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

June 11, 2020

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Required Supplementary Information - Part I

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Management Discussion and Analysis

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Manchester 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 December 31, 2019 and 2018. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$11,342,485 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$11,716,090.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$11,053,677 include plant and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$-0- are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$288,808 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$289,891 to \$7,221,239 during the fiscal year primarily due to a decrease in bonds and loans payable.

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 and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the authority.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(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 years activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

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 is \$11,342,485. This is a \$373,605 decrease under last year's net position of \$11,716,090. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

| | <u>FY 2019</u> | <u>FY 2018 (Restated)</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>FY 2017 (Restated)</u> |
|--|-------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|
| Current and Other Assets | 882,161 | 1,109,979 | (227,818) | (20.52)% | 1,123,296 |
| Capital Assets | <u>17,752,208</u> | <u>18,184,248</u> | <u>(432,040)</u> | (2.38)% | <u>18,664,416</u> |
| Total Assets | <u>18,634,369</u> | <u>19,294,227</u> | <u>(659,858)</u> | (3.42)% | <u>19,787,712</u> |
| Deferred Outflows of Resources | <u>31,778</u> | <u>43,442</u> | <u>(11,664)</u> | (26.85)% | 55,522 |
| Current Liabilities | 972,594 | 851,716 | 120,878 | 14.19% | 844,996 |
| Non-Current Liabilities | <u>6,248,645</u> | <u>6,659,414</u> | <u>(410,769)</u> | (6.17)% | <u>7,060,938</u> |
| Total Liabilities | <u>7,221,239</u> | <u>7,511,130</u> | <u>(289,891)</u> | | <u>7,905,934</u> |
| Deferred Inflows of Resources | <u>102,423</u> | <u>110,449</u> | <u>(8,026)</u> | (7.27)% | <u>115,952</u> |
| Invested in Capital Assets, Net of Related Debt | 11,053,677 | 11,090,738 | (37,061) | (0.33)% | 11,197,311 |
| Unrestricted | <u>288,808</u> | <u>625,352</u> | <u>(336,544)</u> | (53.82)% | <u>624,037</u> |
| | <u>11,342,485</u> | <u>11,716,090</u> | <u>(373,605)</u> | (3.19)% | <u>11,821,348</u> |

While the *Statement of Net Position* shows the change in financial position of nets assets, 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 \$373,605.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

Net Position (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | <u>FY 2019</u> | <u>FY 2018</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>FY 2017</u> |
|-------------------------------|-------------------|-------------------|--------------------------|---------------------------|-------------------|
| Operating Revenues | 2,823,543 | 2,812,467 | 11,076 | 0.39% | 2,754,820 |
| Non-Operating Revenues | <u> </u> | <u> </u> | <u> 0</u> | 0.00% | <u> </u> |
| Total Revenues | <u>2,823,543</u> | <u>2,812,467</u> | <u>11,076</u> | | <u>2,754,820</u> |
| Depreciation and Amortization | 468,852 | 481,721 | (12,869) | (2.67)% | 447,781 |
| Other Operating Expenses | 2,387,759 | 2,083,815 | 303,944 | 14.59% | 1,936,106 |
| Other Non-Operating Expense | <u>340,537</u> | <u>352,189</u> | <u>(11,652)</u> | (3.31)% | <u>362,257</u> |
| Total Expenses | <u>3,197,148</u> | <u>2,917,725</u> | <u>279,423</u> | | <u>2,746,144</u> |
| Change in Net Position | (373,605) | (105,258) | (268,347) | | 8,676 |
| Beginning Net Position | <u>11,716,090</u> | <u>11,821,348</u> | <u>(105,258)</u> | (0.89)% | <u>11,812,672</u> |
| Ending Net Position | <u>11,342,485</u> | <u>11,716,090</u> | <u>(373,605)</u> | (3.19)% | <u>11,821,348</u> |

Budgetary Highlights

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

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

The following tables provides a FY 2019 and FY 2018 budget comparison:

**Budget vs. Actual
FY 2019**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------|------------------|------------------|
| Revenues: | | | |
| Net Assets Appropriated | 140,000 | 140,000 | 0 |
| Operating | 2,813,000 | 2,823,543 | 10,543 |
| Non-operating | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>2,953,000</u> | <u>2,963,543</u> | <u>10,543</u> |
| Expenses: | | | |
| Operating | 2,401,468 | 2,583,001 | (181,533) |
| Non-operating | <u>551,532</u> | <u>542,201</u> | <u>9,331</u> |
| | <u>2,953,000</u> | <u>3,125,202</u> | <u>(172,202)</u> |
| Income Before Depreciation and Contributions | <u>0</u> | <u>(161,659)</u> | <u>(161,659)</u> |

**Budget vs. Actual
FY 2018**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------|------------------|-----------------|
| Revenues: | | | |
| Net Assets Appropriated | 153,000 | 153,000 | 0 |
| Operating | 2,771,640 | 2,812,467 | 40,827 |
| Non-operating | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>2,924,640</u> | <u>2,965,467</u> | <u>40,827</u> |
| Expenses: | | | |
| Operating | 2,370,155 | 2,283,390 | 86,765 |
| Non-operating | <u>554,485</u> | <u>542,286</u> | <u>12,199</u> |
| | <u>2,924,640</u> | <u>2,825,676</u> | <u>98,964</u> |
| Income Before Depreciation and Contributions | <u>0</u> | <u>139,791</u> | <u>139,791</u> |

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

Capital Assets

At the end of 2019, the Authority had invested \$26,470,735 in capital assets. The Authority's net plant and equipment at fiscal year-end was \$17,752,208. This is a \$432,040 decrease under last year's net plant, property and equipment of \$18,184,248. A summary of the Authority's capital assets is presented in the following table:

| Capital Assets | | | | |
|---|--------------------|--------------------|--------------------------|--------------------|
| | <u>FY 2019</u> | <u>FY 2018</u> | <u>Dollar Change</u> | <u>FY 2017</u> |
| Structures and Improvements | 1,217,852 | 1,217,852 | 0 | 1,217,852 |
| Water Supply and Distribution System | 24,351,363 | 24,351,363 | 0 | 24,351,363 |
| Equipment | <u>866,261</u> | <u>866,261</u> | <u>0</u> | <u>866,261</u> |
| Total Capital Assets | 26,435,476 | 26,435,476 | 0 | 26,435,476 |
| Less: | | | | |
| Accumulated Depreciation | <u>(8,718,527)</u> | <u>(8,251,228)</u> | <u>(467,299)</u> | <u>(7,771,060)</u> |
| | 17,716,949 | 18,184,248 | (467,299) | 18,664,416 |
| Construction in Progress | <u>35,259</u> | <u>0</u> | <u>35,259</u> | <u>0</u> |
| | <u>17,752,208</u> | <u>18,184,248</u> | <u>(432,040)</u> | <u>18,664,416</u> |

The Authority's ongoing capital plan is reviewed each year by the Authority's consulting engineer.

Debt Administration

At December 31, 2019, the Authority had outstanding U.S.D.A. Rural Development Loans of \$2,586,381 and outstanding New Jersey Environmental Infrastructure Trust loans of \$4,047,795. The Borough of Haledon Water Utility has a bond, payable in 2022, outstanding as of December 31, 2019. The principal and interest on this bond is payable by the users of the Manchester Utilities Authority.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Economic Factors, Future Years Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

Contacting the Authority-

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Manchester Utilities Authority, 510 Belmont Avenue, Haledon, New Jersey 07508 or visit the Authority's web site at www.muawater.net.

Financial Statements

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Net Position
December 31,

| | <u>2019</u> | <u>2018</u> <u>(Restated)</u> |
|--|--------------------|----------------------------------|
| <u>ASSETS:</u> | | |
| Current Assets: | | |
| Unrestricted : | | |
| Cash and Cash Equivalents | \$ 311,025 | \$ 455,428 |
| Consumer Accounts Receivable | 420,841 | 510,394 |
| Prepaid Expenses | <u>110,972</u> | <u>106,097</u> |
| Total Unrestricted Assets | <u>842,838</u> | <u>1,071,919</u> |
| Restricted: | | |
| Escrow Account | | |
| Cash and Cash Equivalents | <u>39,323</u> | <u>38,060</u> |
| Total Restricted Assets | <u>39,323</u> | <u>38,060</u> |
| Capital Assets: | | |
| Capital Assets Not Being Depreciated: | | |
| Construction in Progress | <u>35,259</u> | <u> </u> |
| Capital Assets Being Depreciated: | | |
| Structures and Improvements | 1,217,852 | 1,217,852 |
| Water Supply and Distribution System | 24,351,363 | 24,351,363 |
| Equipment | 866,261 | 866,261 |
| Less: Accumulated Depreciation | <u>(8,718,527)</u> | <u>(8,251,228)</u> |
| Capital Assets (Net) | <u>17,752,208</u> | <u>18,184,248</u> |
| TOTAL ASSETS | <u>18,634,369</u> | <u>19,294,227</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES:</u> | | |
| Unamortized Deferred Loss on Defeasance of Debt | | |
| Deferred Outflows - PERS | <u>29,067</u> | <u>38,756</u> |
| | <u>2,711</u> | <u>4,686</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 31,778</u> | <u>\$ 43,442</u> |

See accompanying Notes to Financial Statements.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Net Position
December 31,

| | 2019 | 2018 (Restated) |
|--|---------------|--------------------|
| <u>LIABILITIES:</u> | | |
| Current Liabilities Payable from | | |
| Unrestricted Assets: | | |
| Accounts Payable and Accrued Liabilities | \$ 501,211 | \$ 384,441 |
| Accounts Payable - PERS | 1,232 | 1,275 |
| Prepaid Revenue | 4,403 | 12,153 |
| Accrued Interest Payable | 18,072 | 19,255 |
| Current Portion of Bonds and Loans Payable | 408,353 | 396,532 |
| | 933,271 | 813,656 |
| Current Liabilities Payable from | | |
| Restricted Assets: | | |
| Escrow Deposits Payable | 39,323 | 38,060 |
| Non-Current Liabilities: | | |
| Bonds Payable | 3,690,795 | 4,047,795 |
| Loans Payable - USDA | 2,535,028 | 2,586,381 |
| Net Pension Liability - PERS | 22,822 | 25,238 |
| | 6,248,645 | 6,659,414 |
| TOTAL LIABILITIES | 7,221,239 | 7,511,130 |
| <u>DEFERRED INFLOWS OF RESOURCES:</u> | | |
| Unamortized Bond Premiums | 93,422 | 101,558 |
| Deferred Inflows - PERS | 9,001 | 8,891 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 102,423 | 110,449 |
| <u>NET POSITION:</u> | | |
| Net Investment in Capital Assets | 11,053,677 | 11,090,738 |
| Unrestricted: | | |
| Designated | 91,000 | 140,000 |
| Undesignated | 197,808 | 485,352 |
| TOTAL NET POSITION | \$ 11,342,485 | \$ 11,716,090 |

See accompanying Notes to Financial Statements.

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Statement of Revenues, Expenses and Changes in Net Position
 Years Ended December 31,

| | <u>2019</u> | <u>2018</u> <u>(Restated)</u> |
|---|----------------------|----------------------------------|
| Operating Revenues: | | |
| Rents | \$ 2,580,577 | \$ 2,591,056 |
| Fire Hydrant Service | 168,186 | 153,387 |
| Sprinklers | 34,166 | 21,976 |
| Miscellaneous | 31,423 | 38,083 |
| Interest on Investments | 9,191 | 7,965 |
| | <u>2,823,543</u> | <u>2,812,467</u> |
| Operating Expenses: | | |
| Administration | 335,459 | 259,399 |
| Costs of Providing Services | 2,052,300 | 1,824,416 |
| Depreciation | 467,299 | 480,168 |
| | <u>2,855,058</u> | <u>2,563,983</u> |
| Total Operating Expenses | | |
| | <u>2,855,058</u> | <u>2,563,983</u> |
| Operating Income (Loss) | (31,515) | 248,484 |
| Non-Operating Revenues/(Expenses): | | |
| Debt Service | (340,537) | (352,189) |
| Amortization | (1,553) | (1,553) |
| | <u>(342,090)</u> | <u>(353,742)</u> |
| Total Non-Operating Revenues/(Expenses) | | |
| | <u>(342,090)</u> | <u>(353,742)</u> |
| Change In Net Position | (373,605) | (105,258) |
| Net Position - January 1, | <u>11,716,090</u> | <u>11,821,348</u> |
| Net Position - December 31, | \$ <u>11,342,485</u> | \$ <u>11,716,090</u> |

See accompanying Notes to Financial Statements.

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Cash Flows
Years Ended December 31,

| | 2019 | 2018 (Restated) |
|---|--------------|--------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 2,896,155 | \$ 2,753,604 |
| Interest Received | 9,191 | 7,965 |
| Cash Paid to Employees | (9,000) | (9,000) |
| Cash Paid for Employee Benefits | (1,964) | (1,892) |
| Cash Paid to Suppliers/Vendors | (2,264,011) | (2,090,421) |
| Net cash provided (used) by operating activities | 630,371 | 660,256 |
| Cash Flows from Investing Activities: | | |
| Purchase of Property, Plant and Equipment | (35,259) | |
| Net cash provided (used) by investing activities | (35,259) | - |
| Cash Flows from Financing Activities: | | |
| Bond Principal Paid | (175,000) | (175,000) |
| USDA Loan Principal Paid | (49,531) | (47,777) |
| NJEIT Loan Principal Paid | (347,001) | (342,000) |
| Interest Paid | (166,720) | (178,460) |
| Received from NJEIT | | 14,490 |
| Net cash provided (used) by non-capital financing activities | (738,252) | (728,747) |
| Net increase / (decrease) in cash and cash equivalents | (143,140) | (68,491) |
| Cash and cash equivalents, Beginning of Year | 493,488 | 561,979 |
| Cash and cash equivalents, End of Year | \$ 350,348 | \$ 493,488 |
| <u>Balance reported as:</u> | | |
| Unrestricted | 311,025 | 455,428 |
| Restricted | 39,323 | 38,060 |
| | 350,348 | 493,488 |

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Cash Flows
Years Ended December 31,

| | <u>2019</u> | | <u>2018</u> |
|---|-----------------------|--------|--------------------|
| Reconciliation of Operating Income to Net Cash | | | |
| Provided/(Used) by Operating Activities: | | | |
| Operating Income/(Loss) | \$ (31,515) | \$ | 248,484 |
| Adjustments to reconcile operating income/(loss) to net cash provided by operating activities: | | | |
| Depreciation | 467,299 | | 480,168 |
| Pension Adjustment | (374) | | 105 |
| (Increase)/Decrease in: | | | |
| Consumer Accounts Receivable | 89,553 | | (85,425) |
| Miscellaneous Accounts Receivable | | | 22,374 |
| Prepaid Expenses | (4,875) | | (6,613) |
| Increase/(Decrease) in: | | | |
| Accounts Payable and accrued liabilities | 116,770 | | (97) |
| Prepaid Revenue | (7,750) | | 12,153 |
| Security deposits payable | 1,263 | | (10,893) |
| Net cash provided (used) by operating activities | <u>\$ 630,371</u> | \$ | <u>660,256</u> |

Notes to Financial Statements

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. GENERAL

The Manchester Utilities Authority (the Authority) is a public body politic and corporate created by Ordinance #2-18-2004A adopted March 17, 2004 by the Borough of Haledon under the Municipal and County Utilities Authorities Laws of the State of New Jersey (P.L. 1957, Chapter 183 as amended and supplemented.

The Authority is responsible for the acquisition, construction, maintenance, operation and improvement of the works for among other things, the accumulation, supply and distribution of water for the residents of the Borough of Haledon and various customers in the Borough of North Haledon, County of Passaic, New Jersey.

New Jersey statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the provision and distribution of an adequate supply of water and the collection, treatment, disposal and recycling of waste water and sewage sludge. These statutes were enacted as the "Municipal and Counties Utilities Authorities Act", and are codified in New Jersey statutes annotated as NJSA 40:14B-1 et. seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as NJSA 40A:5A-1 et. seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs (DCA), State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The Authority shall consist of five (5) commissioners who shall be appointed in accordance with the procedures set forth and for the terms of office provided in N.J.S.A. 40:14B-4.

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

As a public body, under existing statutes, the Authority is exempt from both Federal and State taxes.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, amended by Statements No. 39 and 61, that requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. GENERAL, (continued)

access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units, however the Manchester Utilities Authority is a component unit of the Borough of Haledon.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounts of the Authority are organized into one fund with self-balancing accounting records that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund type and fund category is as follows:

Proprietary Fund Type

Enterprise Funds - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges. The Authority maintains an enterprise fund to account for its Water System Operations.

The Authority's financial statements are reported using the economic resources measurements focus and the accrual basis of accounting. All assets and all liabilities associated with the enterprise fund operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION, (continued)

The Manchester Utilities Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and short-term investments including certificates of deposit, with a maturity of three months or less carried at cost, which approximates market.

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

Restricted Accounts

Bond covenants of the Authority require portions of the debt proceeds, as well as other resources be set aside for various purposes under the control of the Bond Trustee. These amounts are reported as restricted assets. Cash and cash equivalents restricted for debt service on bonds are segregated in the "Debt Service Fund" account. Cash and cash equivalents restricted for use in construction are segregated in the "System Improvement" Account.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

**B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND
NET POSITION, (continued)**

Investments

Investments consist of Certificates of Deposit and direct obligations of the U.S. Government, U.S. Government Agencies, repurchase agreements and investments in money market funds and are valued at cost, which approximates market. The Authority did not have investments for the years ending December 31, 2019 and 2018.

Inventories

Inventories of materials and supplies are considered expenditures when purchased.

Accounts Receivable

All receivables are reported at their gross values.

Allowance for Doubtful Accounts

The Authority does not provide an allowance for doubtful accounts because of the Authority's ability to compel payments through the lien or shut off process.

Property, Plant and Equipment

Property, plant and equipment are stated at estimated original cost as provided in a fixed asset appraisal performed by the Authority's engineer.

Depreciation is determined on a straight-line basis for all plant and equipment using the following estimated useful lives:

| | |
|--------------------------------------|-------------|
| Structures and Improvements | 12-75 years |
| Water Supply and Distribution System | 75 years |
| Equipment | 5-20 years |

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and are displayed in the following three components:

Net Investment in Capital Assets

The *Net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent unrelated debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

**B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND
NET POSITION, (continued)**

Unrestricted Component of Net Position

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

C. REVENUES AND EXPENSES

Operating Fund Budget

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

D. USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

E. RECENT ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effect for fiscal years beginning after December 15, 2019, though earlier application is encouraged. The Authority believes this Statement may impact the reporting of certain interest payments previously recorded as capital expenditures.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

E. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

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 does not believe this Statement will have any effect on 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.

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.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

E. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

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 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*

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

E. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

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.

NOTE 3. FINANCIAL REPORTING ENTITY

The Governmental Accounting Standards Board requires that disclosure be made in the financial statements regarding the financial reporting entity of governmental units.

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; or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3. FINANCIAL REPORTING ENTITY, (continued)

The Manchester Utilities Authority is a component unit of the primary government of the Borough of Haledon. The commissioners of the Manchester Utilities Authority are appointed by the Council of the Borough of Haledon, and under the deficiency agreement entered into by the Authority and the Borough of Haledon, the Borough is obligated to make up any deficiency in service charges.

NOTE 4. INTRALOCAL SERVICE AGREEMENT

The Authority has entered into an intralocal service agreement with the Borough of Haledon dated December 16, 2010. Under the terms of this agreement, the Borough will provide certain agreed upon services including daily labor services; emergency labor services; street closing services; administrative services; computer maintenance; general maintenance of Authority property; insurance; purchasing services; administrative space and equipment sharing; and vehicle parking and equipment storage. In consideration for the provision of these "Agreed Upon Services", the Authority will pay a fixed "Agreed Upon Services Payment" in monthly installments on the last business day of each month. The monthly installments will be calculated by dividing the Agreed Upon Services payment in twelve equal installments. All increases to the amount of the Agreed Upon Services Payment may be negotiated on an annual basis.

In addition, the Authority shall be billed annually by the Borough for the debt service on bonds, payable in 2022, that the Borough has outstanding for improvements to the Authority's water system.

The term of this intralocal agreement is for a three-year period. The Authority may terminate this Agreement by notifying the Borough of its intent to terminate the arrangement six months prior to the intended termination date. If the Agreement is neither terminated nor expressly extended by written Agreement, then this agreement will be automatically extended for additional one year periods until such time as it is terminated or superseded by any other written agreement renegotiated between the parties.

NOTE 5. WATER DEFICIENCY AGREEMENT

The Authority has entered into an agreement with the Borough of Haledon for a Water Deficiency Agreement. Said agreement states:

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5. WATER DEFICIENCY AGREEMENT, (continued)

“Section 301. Service Charges. (1) With respect to all water supplied by the Authority and for all use and services of the Water System, the Authority will charge Service charges in accordance with the Act. Said Service Charges shall be established at rates estimated to be sufficient to provide for the receipt by the Authority in each Fiscal Year of a sum of money at least equal to the sum of all the amounts necessary in such Fiscal Year (A) to pay or provide for the expenses of operation and maintenance of the Water System and the principal of and interest on any and all Bonds as the same become due, and (B) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary or desirable by the Authority, and (C) to comply in all respects with the terms and provisions of any Bond Resolution and with the Act, but nothing contained in this Section 301 or this Agreement shall prevent the Authority from charging Service Charges which shall be less than sufficient to comply with the foregoing requirement, provided that the Borough shall have given their written consent to such lesser Service Charges in the manner herein provided.

Section 302. Annual Charge. (1) In any year in which the Authority shall have a deficiency whereby its Service Charges are not sufficient to provide for the items listed in Section 301(1)(A) through (C), the Borough shall pay an Annual Charge. The Annual Charge made and to be charged by the Authority to and payable by the Borough for or with respect to any Fiscal Year shall be the sum of money equal to the excess (if any) of:

(A) The sum of all of the amounts necessary or expended in the Fiscal Year of the Authority during such year (i) to pay or provide for the expenses of construction, acquisition, operation and maintenance of the Water System, including, without limitation, administrative and other expenses of the Authority, insurance, renewals, replacements, extensions, enlargements, alterations and betterments and the principal or redemption price of and interest on all other Bonds as the same become due; (ii) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary by the Authority; and (iii) to comply in all respects with the terms of any Bond Resolution and with the Act; from which is subtracted.

(B) The sum of the following amounts to the extent available to be used to pay or provide for the amounts described in Section 302(1)(A): (i) Service Charges; (ii) the proceeds of Bonds; (iii) the proceeds of insurance awards received by or for account of the Authority with respect to the Water System; (iv) contributions received by or for account of the Authority with respect to the Water

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5. WATER DEFICIENCY AGREEMENT, (continued)

System and not under any circumstances repayable by the Authority until after the payment in full of all other obligations of the Authority including its Bonds, original or refunding or both; or (v) any other funds on hand and available therefor at the beginning of the Fiscal Year.”

The deficiency calculation for the years ended December 31, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|-----------------|------------------|
| Income/(Loss) Before Contributions | (\$373,605) | (\$105,258) |
| Add Back Depreciation | <u>467,299</u> | <u>480,168</u> |
| Excess/(Deficiency) | <u>\$93,694</u> | <u>\$374,910</u> |

There is no deficiency under the Water Agreement for the years ending December 31, 2019 and 2018.

NOTE 6. CASH AND CASH EQUIVALENTS

General Authorization

The Manchester Utilities Authority’s deposit and investment practices are governed by New Jersey State Statute 40A:5-15.

GASB Statement No. 3; amended by GASB Statement No. 40, requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority does not have a policy for custodial credit risk; however, the State of New Jersey imposes certain collateral requirements for governmental units.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. CASH AND CASH EQUIVALENTS, (continued)

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unity Deposit Protection Act (GUDPA). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. Operating cash, in the form of various checking and savings accounts, are held in the Authority's name by commercial banking institutions. At December 31, 2019, the carrying amount of the Authority's deposits was \$350,348 and the bank balance was \$480,112. Of the bank balance, \$323,326 was insured with Federal Deposit Insurance and \$156,786 was covered by GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty, the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging institution or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2019, all of the Authority's deposits were insured with Federal Deposit Insurance or under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) and not exposed to custodial credit risk.

NOTE 7. PLANT, PROPERTY AND EQUIPMENT

The Authority's plant, property and equipment is valued at estimated acquisition cost based upon an appraisal performed by the Authority's engineer during fiscal year 2008. Subsequent to fiscal year 2008, property, plant and equipment additions are valued at acquisition costs.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed into operation.

THE MANCHESTER UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. PLANT, PROPERTY AND EQUIPMENT, (continued)

A description of the changes in the plant, property and equipment accounts of the Authority for the year ended December 31, 2019 and 2018 is as follows:

| | <u>Balance</u> <u>Dec.31.2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>Dec.31.2019</u> |
|---|--------------------------------------|--------------------|------------------|--------------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Construction in Progress | \$ _____ | \$35,259 | \$ _____ | \$35,259 |
| Total Capital Assets Not Being Depreciated | _____ | <u>35,259</u> | _____ | <u>35,259</u> |
| Capital Assets Being Depreciated: | | | | |
| Structures and Improvements | 1,217,852 | | | 1,217,852 |
| Water Supply and Distribution System | 24,351,363 | | | 24,351,363 |
| Equipment | <u>866,261</u> | _____ | _____ | <u>866,261</u> |
| Total Capital Assets, Being Depreciated | <u>26,435,476</u> | _____ | _____ | <u>26,435,476</u> |
| Less: Accumulated Depreciation: | | | | |
| Structures and Improvements | (975,770) | (15,031) | | (990,801) |
| Water Supply and Distribution System | (6,748,853) | (414,528) | | (7,163,381) |
| Equipment | <u>(526,605)</u> | <u>(37,740)</u> | _____ | <u>(564,345)</u> |
| Total Accumulated Depreciation | <u>(8,251,228)</u> | <u>(467,299)</u> | _____ | <u>(8,718,527)</u> |
| Total Capital Assets Being Depreciated, Net | <u>18,184,248</u> | <u>(467,299)</u> | _____ | <u>17,716,949</u> |
| Capital Assets, Net | <u>\$18,184,248</u> | <u>(\$432,040)</u> | \$ _____ | <u>\$17,752,208</u> |

THE MANCHESTER UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. PLANT, PROPERTY AND EQUIPMENT, (continued)

| | <u>Balance</u> <u>Dec.31,2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>Dec.31,2018</u> |
|---|--------------------------------------|--------------------|---------------------|--------------------------------------|
| Capital Assets Being Depreciated: | | | | |
| Structures and Improvements | 1,217,852 | | | 1,217,852 |
| Water Supply and Distribution System | 24,351,363 | | | 24,351,363 |
| Equipment | <u>866,261</u> | <u> </u> | <u> </u> | <u>866,261</u> |
| Total Capital Assets, Being Depreciated | <u>26,435,476</u> | <u> </u> | <u> </u> | <u>26,435,476</u> |
| Less: Accumulated Depreciation: | | | | |
| Structures and Improvements | (960,739) | (15,031) | | (975,770) |
| Water Supply and Distribution System | (6,334,055) | (414,798) | | (6,748,853) |
| Equipment | <u>(476,266)</u> | <u>(50,339)</u> | <u> </u> | <u>(526,605)</u> |
| Total Accumulated Depreciation | <u>(7,771,060)</u> | <u>(480,168)</u> | <u> </u> | <u>(8,251,228)</u> |
| Total Capital Assets Being Depreciated, Net | <u>18,664,416</u> | <u>(480,168)</u> | <u> </u> | <u>18,184,248</u> |
| Capital Assets, Net | <u>\$18,664,416</u> | <u>(\$480,168)</u> | <u>\$ </u> | <u>\$18,184,248</u> |

NOTE 8. LONG-TERM DEBT

U.S.D.A. Grant/Loan Program

On May 21, 2007, the Authority entered into a loan agreement with the United States Department of Agriculture in order to repay bond anticipation notes outstanding in the Borough of Haledon Water Utility Fund. Under this agreement, the Authority was awarded a grant of \$500,000 and was issued a loan in the amount of \$1,500,000 under the U.S.D.A. Rural Development Program. The loan has an interest rate of 3.25% and a term of 40 years. Payments of principal and interest are due twice annually on May 20 and November 20 of each year to maturity with a final maturity in 2047.

THE MANCHESTER UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8. LONG-TERM DEBT, (continued)

In April of 2010, the Authority entered into a loan agreement with the United States Department of Agriculture in order to fund outstanding Project Notes, Series 2008 issued to provide funds for various projects relating to the improvement of its water supply and distribution system. Under this agreement, the Authority was awarded a grant of \$450,000 and was issued a loan in the amount of \$1,550,000 under the U.S.D.A. Rural Development Program. This loan has an interest rate of 4.125% and a term of 40 years. Payments of principal and interest are due twice annually in March and September of each year to maturity with a final maturity in 2050.

A summary of the Authority's activity under the U.S.D.A. Rural Development Loan Program for the year ended December 31, 2019 and 2018 is as follows:

| <u>Loan</u> | Original Amount of Loan | Balance Dec.31.2018 | Issued | Retired | Balance Dec.31.2019 |
|---------------------|-------------------------------|------------------------|-------------------|-----------------|------------------------|
| LN01 | \$1,500,000 | \$1,243,969 | \$ | \$27,079 | \$1,216,890 |
| LN03 | <u>1,550,000</u> | <u>1,391,943</u> | <u> </u> | <u>22,452</u> | <u>1,369,491</u> |
| | <u>\$3,050,000</u> | <u>\$2,635,912</u> | <u>\$</u> | <u>\$49,531</u> | <u>\$2,586,381</u> |
| Current Portion | | \$49,531 | | | \$51,353 |
| Non-Current Portion | | <u>2,586,381</u> | | | <u>2,535,028</u> |
| | | <u>\$2,635,912</u> | | | <u>\$2,586,381</u> |

| <u>Loan</u> | Original Amount of Loan | Balance Dec.31.2017 | Issued | Retired | Balance Dec.31.2018 |
|---------------------|-------------------------------|------------------------|-------------------|-----------------|------------------------|
| LN01 | \$1,500,000 | \$1,270,190 | \$ | \$26,221 | \$1,243,969 |
| LN03 | <u>1,550,000</u> | <u>1,413,499</u> | <u> </u> | <u>21,556</u> | <u>1,391,943</u> |
| | <u>\$3,050,000</u> | <u>\$2,683,689</u> | <u>\$</u> | <u>\$47,777</u> | <u>\$2,635,912</u> |
| Current Portion | | \$47,776 | | | \$49,531 |
| Non-Current Portion | | <u>2,635,913</u> | | | <u>2,586,381</u> |
| | | <u>\$2,683,689</u> | | | <u>\$2,635,912</u> |

**THE MANCHESTER UTILITIES AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8. LONG-TERM DEBT, (continued)

New Jersey Environmental Infrastructure Trust Program

Series 2010A

On March 10, 2011, the Authority issued bonds through the New Jersey Environmental Infrastructure Trust Program in order to finance the costs of various improvements to its water supply and distribution system. The \$5,166,375 bonds were issued to evidence loans from the New Jersey Environmental Infrastructure Trust and 0% loans from the State of New Jersey. The Authority is eligible for principal "forgiveness" of \$2,521,109 on the 0% loan under the New Jersey Environmental Infrastructure Trust's ARRA financing program.

Series 2013A

On May 22, 2013, the Authority issued bonds through the New Jersey Environmental Infrastructure Trust Program in order to finance various improvements to its water supply and distribution system. The bonds were issued to evidence a loan from the New Jersey Environmental Infrastructure Trust of \$286,121 with interest rates ranging from 3.00% to 5.00%, and a 0% loan from the State of New Jersey in the amount of \$429,182. The Authority is eligible for "principal forgiveness" on the State of New Jersey loan in the amount of \$143,061.

Series 2014A

On May 21, 2014, the Authority issued bonds through the New Jersey Environmental Infrastructure Trust Program in order to finance certain improvements to its water supply and distribution system. The bonds were issued to evidence a loan from the New Jersey Environmental Infrastructure Trust of \$515,000 with interest rates ranging from 3.00% to 3.25%, and a 0% loan from the State of New Jersey in the amount of \$1,531,527.

Series 2017A-1

On May 25, 2017, the Authority issued bonds through the New Jersey Environmental Infrastructure Trust Program in order to finance certain improvements to its water supply and distribution system. The bonds were issued to evidence a loan from the New Jersey Environmental Infrastructure Trust of \$410,000 with interest rates ranging from 3.00% to 5.00%, and a 0% loan from the State of New Jersey in the amount of \$1,195,352.

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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8. LONG-TERM DEBT, (continued)

A summary of the activity under the New Jersey Environmental Infrastructure Trust Program for the year ended December 31, 2019 and 2018 is as follows:

NJEIT Loans Payable

| | <u>Balance</u> <u>Dec.31.2018</u> | <u>Issued</u> | <u>Deobligated/ Retired</u> | <u>Balance</u> <u>Dec.31.2019</u> |
|---------------------|--------------------------------------|---------------|---------------------------------|--------------------------------------|
| | <u>\$4,394,796</u> | <u>\$</u> | <u>\$347,001</u> | <u>\$4,047,795</u> |
| Current Portion | \$347,001 | | | \$357,000 |
| Non-Current Portion | <u>4,047,795</u> | | | <u>3,690,795</u> |
| | <u>\$4,394,796</u> | | | <u>\$4,047,795</u> |
| | | | | |
| | <u>Balance</u> <u>Dec.31.2017</u> | <u>Issued</u> | <u>Deobligated/ Retired</u> | <u>Balance</u> <u>Dec.31.2018</u> |
| | <u>\$4,736,796</u> | <u>\$</u> | <u>\$342,000</u> | <u>\$4,394,796</u> |
| Current Portion | \$342,000 | | | \$347,001 |
| Non-Current Portion | <u>4,394,796</u> | | | <u>4,047,795</u> |
| | <u>\$4,736,796</u> | | | <u>\$4,394,796</u> |

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

| <u>Period Ending</u> <u>December 31,</u> | <u>U.S.D.A. Rural</u> <u>Development Loans</u> | | <u>NJ Environmental</u> <u>Infrastructure Loans</u> | | <u>Total</u> |
|---|---|--------------------|--|------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2020 | 51,353 | 95,421 | 357,000 | 52,808 | 556,582 |
| 2021 | 53,241 | 93,533 | 358,000 | 47,178 | 551,952 |
| 2022 | 55,199 | 91,575 | 359,000 | 41,738 | 547,512 |
| 2023 | 57,229 | 89,545 | 292,000 | 32,328 | 471,102 |
| 2024 | 59,338 | 87,436 | 292,000 | 29,328 | 468,102 |
| 2024-2050 | <u>2,310,021</u> | <u>1,213,826</u> | <u>2,389,795</u> | <u>166,753</u> | <u>6,080,395</u> |
| | <u>\$2,586,381</u> | <u>\$1,671,336</u> | <u>\$4,047,795</u> | <u>\$370,133</u> | <u>\$8,675,645</u> |

**THE MANCHESTER UTILITIES AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9. UNAMORTIZED BOND PREMIUM

In connection with its New Jersey Environmental Infrastructure Trust financings, the Authority has received premiums of \$122,176. These premiums are being amortized using the straight-line method over the life of the NJEIT loans. The activity and unamortized balance in this account at December 31, 2019 and 2018 is as follows:

| | | | |
|--|---------------------|---------------------|--|
| Unamortized Balance <u>Dec.31.2018</u> | Premium Received | <u>Amortization</u> | Unamortized Balance <u>Dec.31.2019</u> |
| <u>\$101,558</u> | <u>\$ _____</u> | <u>\$8,136</u> | <u>\$93,422</u> |
| | | | |
| Unamortized Balance <u>Dec.31.2017</u> | Premium Received | <u>Amortization</u> | Unamortized Balance <u>Dec.31.2018</u> |
| <u>\$109,694</u> | <u>\$ _____</u> | <u>\$8,136</u> | <u>\$101,558</u> |

NOTE 10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has obtained insurance coverage to guard against these events which will provide minimum exposure to the Authority should they occur.

THE MANCHESTER UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 11. DEFERRED LOSS ON DEFEASANCE OF DEBT

In November of 2013, the New Jersey Environmental Infrastructure Trust defeased a portion of its Series 2010A Bonds. This defeasance resulted in a deferred loss of \$87,200 for the Manchester Utilities Authority. This loss is being amortized on a straight-line basis over the life of the remaining Series 2010A Bonds. The activity and unamortized balance in this account at December 31, 2019 and 2018 is as follows:

| Unamortized Balance <u>Dec.31,2018</u> | Deferred Losses | <u>Amortization</u> | Unamortized Balance <u>Dec.31,2019</u> |
|--|--------------------|---------------------|--|
| <u>\$38,756</u> | <u>\$</u> | <u>\$9,689</u> | <u>\$29,067</u> |
| Unamortized Balance <u>Dec.31,2017</u> | Deferred Losses | <u>Amortization</u> | Unamortized Balance <u>Dec.31,2018</u> |
| <u>\$48,445</u> | <u>\$</u> | <u>\$9,689</u> | <u>\$38,756</u> |

NOTE 12. PENSION PLANS

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

Public Employees' Retirement System (PERS)

Plan Description

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

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60 of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

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

**THE MANCHESTER UTILITIES AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

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

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

Contribution Requirements

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

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

| <u>Fiscal</u> <u>Year</u> | <u>PERS</u> | <u>DCRP</u> |
|------------------------------|-------------|-------------|
| 2019 | \$1,275 | \$-0- |
| 2018 | 1,203 | -0- |
| 2017 | 1,162 | -0- |

**THE MANCHESTER UTILITIES AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS)

At December 31, 2019, the Authority reported a liability of \$28,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Authority's proportion was .0001266570 percent, which was a decrease of .000001523 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Authority recognized pension expense of \$901. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$410 | \$101 |
| Changes of assumptions | 2,279 | 7,921 |
| Net difference between projected and actual earnings on pension plan investments | | 360 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | <u>22</u> | <u>619</u> |
| Total | <u>\$2,711</u> | <u>\$9,001</u> |

**THE MANCHESTER UTILITIES AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2019) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | |
|--------------------------------|---------|
| 2020 | \$(659) |
| 2021 | (2,138) |
| 2022 | (1,908) |
| 2023 | (896) |
| 2024 | (92) |

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2019 and June 30, 2018 are as follows:

| | <u>Dec. 31, 2019</u> | <u>Dec. 31, 2018</u> |
|---|----------------------|----------------------|
| Collective deferred outflows of resources | \$3,149,522,616 | \$4,684,852,302 |
| Collective deferred inflows of resources | 7,645,087,574 | 7,646,736,226 |
| Collective net pension liability | 18,018,482,972 | 19,689,501,539 |
| Authority's Proportion | .0001266570% | .000128182% |

**THE MANCHESTER UTILITIES AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

| | |
|---------------------------|--|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases: | |
| Through 2026 | 2.00-6.00% (based on years of service) |
| Thereafter | 3.00-7.00% (based on years of service) |
| Investment Rate of Return | 7.00 Percent |

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2019.

**THE MANCHESTER UTILITIES AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Mortality Rates, (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Risk Mitigation Strategies | 3.00% | 4.67% |
| Cash equivalents | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 2.68% |
| Investment grade credit | 10.00% | 4.25% |
| High yield | 2.00% | 5.37% |
| Private credit | 6.00% | 7.92% |
| Real assets | 2.50% | 9.31% |
| Real estate | 7.50% | 8.33% |
| U.S. equity | 28.00% | 8.26% |
| Non-U.S. developed markets equity | 12.50% | 9.00% |
| Emerging markets equity | 6.50% | 11.37% |
| Private equity | 12.00% | 10.85% |

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

| | June 30, 2019 | | |
|---|----------------|-----------------------------|----------------|
| | 1% Decrease | At Current Discount Rate | 1% Increase |
| | <u>5.28%</u> | <u>6.28%</u> | <u>7.28%</u> |
| Authority's proportionate share of the pension liability | \$29,028 | \$28,822 | \$17,884 |

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

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

NOTE 13. COMMITMENTS AND CONTINGENCIES

As of December 31, 2019 and the date of this report, Authority counsel advises that the Authority is involved in unsettled or pending litigation, judgments or claims as described below:

In 2012, litigation was settled in the matter of Volpe v. Manchester Utilities Authority, et al., Docket No. L-5281-09, filed on December 10, 2009. The Borough of Haledon and MUA's insurance carrier has assigned its Counsel to defend the MUA and without the consent of the MUA settled the matter for a lump sum payment of \$325,000.00. To date, the insurance carrier has not formally sought any contribution from the MUA for this payment. However, on June 28, 2013, the insurance company sent a Retention & Coinsurance Reimbursement Invoice requesting the sum of \$100,000.00 to the Borough of Haledon Clerk. The MUA disputes that any monies are due and owing from the MUA to the insurance carrier and as such, has not paid any portion of this reimbursement request. No further action has been taken by the insurance company since the 2013 invoice.

NOTE 14. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 11, 2020, the date which the financial statements were available to be issued and the following items were noted for disclosure:

At its October 15, 2018 meeting, the Authority passed Resolution Number 2018-37 authorizing the issuance of not exceeding \$2,900,000 Subordinate Bonds and providing for their sale to the New Jersey Infrastructure Bank and the State of New Jersey. These bonds will be issued to fund improvements to the Authority's system including the relocation and replacement of the High Service Pump Station and the upgrade of the Heights Storage Tank.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14. SUBSEQUENT EVENTS, (continued)

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 Manchester Utilities Authority. The Authority has identified several risks as a result of this pandemic, including a possible delay in collection of water rents and cash flow shortages as the result of these delayed collections. The Authority will continue to monitor this situation closely.

NOTE 15. PRIOR PERIOD ADJUSTMENT

At December 31, 2018, the Authority was classifying certain amounts of cash and net position as being restricted by bond resolution. Since issuing these financial statements, information has been obtained demonstrating that these restrictions were not necessary. Accordingly, the Authority has restated the December 31, 2018 account balances as follows:

| | Balance 12/31/2018 as Previously Reported | Retroactive Adjustment | Balance 12/31/2018 as Restated |
|---|--|---------------------------|--------------------------------------|
| Unrestricted Cash and Cash Equivalents | \$356,411 | \$99,017 | \$455,428 |
| Restricted Cash and Cash Equivalents | 137,077 | (99,017) | 38,060 |
| Current Liabilities Payable from Unrestricted Assets | 397,869 | 415,787 | 813,656 |
| Current Liabilities Payable from Restricted Assets | 453,847 | (415,787) | 38,060 |
| Net Position - Restricted | 79,762 | (79,762) | 0 |
| Net Position - Unrestricted | 545,590 | 79,762 | 625,352 |

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16. DESIGNATION OF UNRESTRICTED NET POSITION

As of December 31, 2019 and 2018, the Authority's accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board for the following purposes and amounts:

| | <u>2019</u> | <u>2018</u> |
|--|-----------------|------------------|
| Appropriated in Subsequent Year's Budget | <u>\$91,000</u> | <u>\$140,000</u> |

NOTE 17. UNRESTRICTED NET POSITION

At December 31, 2019 and 2018 the Authority's unrestricted net position was comprised of the following:

| | <u>2019</u> | <u>2018</u> <u>(Restated)</u> |
|-------------------------------------|------------------|----------------------------------|
| Pension Related Items | \$(30,344) | \$(30,718) |
| Available for use in Future Budgets | <u>228,152</u> | <u>516,070</u> |
| Net Position- Unrestricted | <u>\$197,808</u> | <u>\$485,352</u> |

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Required Supplementary Information - Part II

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MANCHESTER UTILITIES AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's Share of Net Pension Liability - PERS
*Last 10 Fiscal Years**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| Authority's proportion of the net pension liability (asset) | 0.0001266570% | 0.0001281820% | 0.0001298585% | 0.0001307990% | 0.0001305058% |
| Authority's proportionate share of the net pension liability (asset) | \$ 28,822 | \$ 25,238 | \$ 30,229 | \$ 38,739 | \$ 29,296 |
| Authority's covered payroll - PERS | \$ 9,000 | \$ 9,000 | \$ 9,000 | \$ 9,000 | \$ 9,000 |
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 320.24% | 280.42% | 335.88% | 430.43% | 325.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.27% | 53.60% | 48.10% | 40.14% | 47.93% |

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

MANCHESTER UTILITIES AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's Contributions - PERS
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 1,232.00 | \$ 1,275.00 | \$ 1,203.00 | \$ 1,162.00 | \$ 1,122.00 |
| Contributions in relation to the contractually required contribution | \$ (1,232.00) | \$ (1,275.00) | \$ (1,203.00) | \$ (1,162.00) | \$ (1,122.00) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's covered payroll - PERS | \$ 9,000 | \$ 9,000 | \$ 9,000 | \$ 9,000 | \$ 9,000 |
| Contributions as a percentage of covered payroll | 13.69% | 14.17% | 13.37% | 12.91% | 12.47% |

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

MANCHESTER UTILITIES AUTHORITY
Note to Required Schedules of Supplementary Information
For the Year Ended December 31, 2019

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date, resulting in a change in the discount rate from 5.66% to 6.28%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

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Supplementary Schedules

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THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
Schedule of Revenue, Expenses and Changes in Net Position
Restricted and Unrestricted
For The Year Ended December 31,

| | Totals (Memo) | | Net Investment in Capital Assets |
|---|------------------|--------------------|--|
| | 2019 | 2018 (Restated) | |
| Operating Revenues: | | | |
| Rents | 2,580,577 | 2,591,056 | |
| Fire Hydrant Service | 168,186 | 153,387 | |
| Sprinklers | 34,166 | 21,976 | |
| Miscellaneous | 31,423 | 38,083 | |
| Interest on Investments | 9,191 | 7,965 | |
| Total Operating Revenue | 2,823,543 | 2,812,467 | |
| Operating Expenses: | | | |
| Cost of Providing Services | 2,052,300 | 1,824,416 | |
| Administrative and Executive | 335,459 | 259,399 | |
| Depreciation | 467,299 | 480,168 | |
| Total Operating Expenses | 2,855,058 | 2,563,983 | |
| Operating Income | 435,784 | 248,484 | |
| Non-Operating Revenue/(Expenses): | | | |
| Debt Service | (340,537) | (352,189) | |
| Amortization | (1,553) | (1,553) | |
| Total Non-Operating Revenue/(Expenses) | (340,537) | (353,742) | |
| Net Income / (Loss) Before Transfers and Contributions | 95,247 | (105,258) | |
| Transfers: | | | |
| Bond Principal Paid | (396,532) | - | |
| Capital Expenditures | (35,259) | - | |
| Increase / (Decrease) in Net Position | (336,544) | (373,605) | |
| Net Position - January 1, | 625,352 | 11,716,090 | |
| Net Position - December 31, | 288,808 | 11,342,485 | |

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Cash Receipts, Cash Disbursements and
Changes in Cash and Cash Equivalents -
Unrestricted and Restricted Accounts -
Year Ended December 31, 2019

| | Operating Account | Series 2007 Revenue | Series 2007 Debt Service | Escrow Account | Total |
|--|----------------------|------------------------|-----------------------------|-------------------|-------------------|
| Cash and Cash Equivalents - January 1, 2019 | \$ 383,700 | \$ 35,061 | \$ 36,667 | \$ 38,060 | 493,488 |
| Cash Receipts: | | | | | |
| Interest on Investments and Deposits | 7,593 | 756 | 842 | 102 | 9,293 |
| Water Rents | 2,662,380 | | | | 2,662,380 |
| Fire Hydrant Service | 168,186 | | | | 168,186 |
| Sprinklers | 34,166 | | | | 34,166 |
| Connection Fees | 7,084 | | | | 7,084 |
| Escrow Deposits | | | | 4,205 | 4,205 |
| Other | 24,311 | | | | 24,311 |
| Transfers | | | | | - |
| | <u>2,903,720</u> | <u>756</u> | <u>842</u> | <u>4,307</u> | <u>2,909,625</u> |
| Cash Disbursements: | | | | | |
| Operations | 2,486,468 | | | | 2,486,468 |
| Debt Service | 563,253 | | | | 563,253 |
| Escrow Payments | | | | 3,044 | 3,044 |
| Transfers | | | | | - |
| | <u>3,049,721</u> | <u>-</u> | <u>-</u> | <u>3,044</u> | <u>3,052,765</u> |
| Cash and Cash Equivalents - December 31, 2019 | <u>\$ 237,699</u> | <u>\$ 35,817</u> | <u>\$ 37,509</u> | <u>39,323</u> | <u>350,348</u> |
| ANALYSIS OF BALANCE: | | | | | |
| Unrestricted | 237,699 | 35,817 | 37,509 | - | 311,025 |
| Restricted | - | - | - | 39,323 | 39,323 |
| | <u>\$ 237,699</u> | <u>\$ 35,817</u> | <u>\$ 37,509</u> | <u>39,323</u> | <u>\$ 350,348</u> |
| Cash and Cash Equivalents | 237,699 | 35,817 | 37,509 | 39,323 | 350,348 |
| Investments | - | - | - | - | - |
| | <u>\$ 237,699</u> | <u>\$ 35,817</u> | <u>\$ 37,509</u> | <u>39,323</u> | <u>\$ 350,348</u> |

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Supplementary Schedule of Operating Revenues and Appropriations -
Budget vs. Actual
Year Ended December 31, 2019
With Comparative Actual Amounts
in December 31, 2018

| | 2019 Original Budget | 2019 Final Budget | 2019 Actual | Variance | 2018 Actual |
|--|----------------------------|-------------------------|------------------|------------------|------------------|
| Revenues: | | | | | |
| Net Position Utilized | 140,000 | 140,000 | 140,000 | - | 153,000 |
| Service Fees | 2,576,000 | 2,576,000 | 2,580,577 | 4,577 | 2,591,056 |
| Fire Hydrant Service | 158,000 | 158,000 | 168,186 | 10,186 | 153,387 |
| Sprinklers | 31,000 | 31,000 | 34,166 | 3,166 | 21,976 |
| Miscellaneous | 32,000 | 32,000 | 31,423 | (577) | 38,083 |
| Interest on Investments and Deposits | 16,000 | 16,000 | 9,191 | (6,809) | 7,965 |
| Total Operating Revenues | 2,953,000 | 2,953,000 | 2,963,543 | 10,543 | 2,965,467 |
| Expenses: | | | | | |
| Administration: | | | | | |
| Salaries and Wages | 9,000 | 9,000 | 9,000 | - | 9,000 |
| Social Security | | | 689 | (689) | 689 |
| PERS Pension | | | 1,275 | (1,275) | 1,203 |
| Office Supplies | 5,000 | 5,000 | 1,672 | 3,328 | 3,295 |
| Postage | 6,000 | 6,000 | 7,301 | (1,301) | 3,879 |
| Administrative Fees | 33,000 | 33,000 | 27,845 | 5,155 | 30,397 |
| Service Contracts | 5,000 | 5,000 | 28,141 | (23,141) | 4,776 |
| State Taxes and Fees | 5,000 | 5,000 | 7,672 | (2,672) | 6,765 |
| Attorney Fees | 74,000 | 74,000 | 56,012 | 17,988 | 63,470 |
| Engineering Fees | 46,000 | 46,000 | 159,646 | (113,646) | 112,337 |
| Auditor Fees | 44,000 | 44,000 | 30,580 | 13,420 | 36,198 |
| Bank Fees | 1,000 | 1,000 | | 1,000 | |
| Bookkeeper | 11,000 | 11,000 | 6,000 | 5,000 | 6,000 |
| Subtotal Administration | 239,000 | 239,000 | 335,833 | (96,833) | 278,009 |
| Cost of Providing Services: | | | | | |
| Borough Contract | 490,400 | 490,400 | 432,431 | 57,969 | 421,925 |
| Chemicals | 8,000 | 8,000 | 7,663 | 337 | 9,583 |
| Permits | 3,000 | 3,000 | 1,950 | 1,050 | 2,985 |
| Telephone | 21,000 | 21,000 | 24,705 | (3,705) | 18,934 |
| Lab Testing | 20,000 | 20,000 | 11,113 | 8,887 | 11,660 |
| Legal Advertisements | 3,000 | 3,000 | 1,757 | 1,243 | 2,789 |
| Licensed Operator | 24,000 | 24,000 | 22,450 | 1,550 | 26,193 |
| Maintenance to Buildings | 3,000 | 3,000 | 3,935 | (935) | 1,950 |
| Meter Purchases & Replacement | 16,000 | 16,000 | 2,721 | 13,279 | 15,843 |
| Passaic Valley Water Commission | 1,005,000 | 1,005,000 | 1,207,424 | (202,424) | 885,451 |
| Pump Maintenance | 7,000 | 7,000 | | 7,000 | 40 |
| Emergency Repairs | 135,000 | 135,000 | 186,255 | (51,255) | 268,289 |
| Utilities | 125,000 | 125,000 | 108,796 | 16,204 | 112,745 |
| Hydrant Repairs | 45,000 | 45,000 | 24,020 | 20,980 | 9,139 |
| Computer Maintenance/Software | 7,000 | 7,000 | 5,520 | 1,480 | 4,851 |
| Other Insurance | 23,000 | 23,000 | 425 | 22,575 | 425 |
| Road Openings | 5,000 | 5,000 | | 5,000 | |
| Subscriptions/Dues | 1,200 | 1,200 | 894 | 306 | 914 |
| Miscellaneous | 10,000 | 10,000 | 10,241 | (241) | 11,985 |
| Subtotal Cost of Providing Services | 1,951,600 | 1,951,600 | 2,052,300 | (100,700) | 1,805,701 |

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Supplementary Schedule of Operating Revenues and Appropriations -
 Budget vs. Actual
 Year Ended December 31, 2019
 With Comparative Actual Amounts
 in December 31, 2018

| | 2019 Original Budget | 2019 Final Budget | 2019 Actual | Variance | 2018 Actual |
|---|-------------------------------------|----------------------------------|------------------------|------------------|------------------------|
| Debt Service: | | | | | |
| Bond Principal | 175,000 | 175,000 | 175,000 | - | 175,000 |
| USDA Loan #1 | 67,289 | 67,289 | 67,253 | 36 | 67,254 |
| USDA Loan #2 | 79,484 | 79,484 | 79,368 | 116 | 79,373 |
| Interest on Bonds | 19,868 | 19,868 | 19,868 | - | 24,680 |
| NJEIT Loans | 420,759 | 420,759 | 395,580 | 25,179 | 395,659 |
| Subtotal Debt Service | 762,400 | 762,400 | 737,069 | 25,331 | 741,966 |
| Total Costs Funded by Operating Revenues | 2,953,000 | 2,953,000 | 3,125,202 | (172,202) | 2,825,676 |
| Excess/(Deficit) of Total Revenues Over/(Under) Total Expenses | - | - | (161,659) | (161,659) | 139,791 |
| Reconciliation of Budgetary Basis To Change in Net Position: | | | | | |
| Depreciation | | | (467,299) | | (480,168) |
| Amortization | | | (1,553) | | (1,553) |
| Pension Adjustment | | | 374 | | (105) |
| USDA Loan Principal | | | 49,531 | | 47,777 |
| NJEIT Principal | | | 347,001 | | 342,000 |
| Net Position Appropriated | | | (140,000) | | (153,000) |
| Change in Net Position | | | (373,605) | | (105,258) |

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Supplementary Schedule of Capital Financing Sources and Costs
 Funded by Capital Financing Sources Compared to Budget
 For the Year Ended December 31, 2019
 With Comparative Amounts for the Year Ended December 31, 2018

| | <u>2019</u> | | <u>2018</u> |
|--|----------------------------|-------------------------|-----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| Capital Financing Sources: | | | |
| Debt Authorization | 3,100,000.00 | | |
| Capital Outlay Appropriation | 25,000.00 | 35,259.00 | |
| Total Capital Financing Sources | <u>3,125,000.00</u> | <u>35,259.00</u> | <u>-</u> |
| Capital Outlays: | | | |
| Various Capital Improvements | 25,000.00 | 35,259.00 | |
| Heights Tank Project | 500,000.00 | | |
| High Service Pump Station Replacement | 2,400,000.00 | | |
| SCADA | 200,000.00 | | |
| Total Capital Outlays | <u>3,125,000.00</u> | <u>35,259.00</u> | <u>-</u> |
| Total Costs Funded by Capital Financing Sources | <u>3,125,000.00</u> | <u>35,259.00</u> | <u>-</u> |
| Add: Excess | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u><u>3,125,000.00</u></u> | <u><u>35,259.00</u></u> | <u><u>-</u></u> |

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Maturities | | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|------------|-----------------|---------------|------------|--------|------------------|--------|---------------------|------------------|
| | | | Date | Amount | | | | |
| 03/10/10 | 1,310,000 | 5.000% | 08/01/2020 | 70,000 | 283,000 | | | 213,000 |
| | | 3.000% | 08/01/2021 | 71,000 | | | | |
| | | 4.000% | 08/01/2022 | 72,000 | | | | |
| 03/10/10 | 1,260,555 | 0.000% | 02/01/2020 | 23,344 | | | | |
| | | 0.000% | 08/01/2020 | 46,687 | | | | |
| | | 0.000% | 02/01/2021 | 23,344 | | | | |
| | | 0.000% | 08/01/2021 | 46,687 | | | | |
| | | 0.000% | 02/01/2022 | 23,344 | | | | |
| | | 0.000% | 08/01/2022 | 46,687 | | | | |
| | | 0.000% | 02/01/2023 | 23,344 | | | | |
| | | 0.000% | 08/01/2023 | 46,687 | | | | |
| | | 0.000% | 02/01/2024 | 23,344 | | | | |
| | | 0.000% | 08/01/2024 | 46,687 | | | | |
| | | 0.000% | 02/01/2025 | 23,344 | | | | |
| | | 0.000% | 08/01/2025 | 46,687 | | | | |
| 02/01/2026 | | 0.000% | 02/01/2026 | 23,344 | | | | |
| | | 0.000% | 08/01/2026 | 46,687 | | | | |
| | | 0.000% | 02/01/2027 | 23,344 | | | | |
| | | 0.000% | 08/01/2027 | 46,687 | | | | |
| 02/01/2028 | | 0.000% | 02/01/2028 | 9,487 | | | | |
| | | | | | 639,766 | | 70,031 | 569,735 |

New Jersey Environmental
Infrastructure Trust - Trust
Loan Series 2010A

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2010

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Maturities Date | Amount | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|--------------------|------------------|--------------------|-----------|---------------------|--------|------------------------|---------------------|
| 05/22/13 | 280,000 | 4.000% | 08/01/2020 | 15,000.00 | | | | |
| | | 4.000% | 08/01/2021 | 15,000.00 | | | | |
| | | 4.000% | 08/01/2022 | 15,000.00 | | | | |
| | | 5.000% | 08/01/2023 | 15,000.00 | | | | |
| | | 5.000% | 08/01/2024 | 15,000.00 | | | | |
| | | 3.000% | 08/01/2025 | 15,000.00 | | | | |
| | | 3.000% | 08/01/2026 | 15,000.00 | | | | |
| | | 3.000% | 08/01/2027 | 15,000.00 | | | | |
| | | 3.000% | 08/01/2028 | 20,000.00 | | | | |
| | | 3.000% | 08/01/2029 | 20,000.00 | | | | |
| | | 3.000% | 08/01/2030 | 20,000.00 | | | | |
| | | 3.000% | 08/01/2031 | 20,000.00 | | | | |
| | | 3.000% | 08/01/2032 | 20,000.00 | | | | |
| | | | | | 230,000.00 | | 10,000.00 | 220,000.00 |

New Jersey Environmental
Infrastructure Trust - Trust
Loan Series 2013A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Maturities | | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|-----------------|---------------|------------|--------|------------------|--------|---------------------|------------------|
| | | | Date | Amount | | | | |
| 05/22/13 | 286,121 | 0.000% | 02/01/2020 | 5,155 | | | | |
| | | | 08/01/2020 | 10,311 | | | | |
| | | | 02/01/2021 | 5,155 | | | | |
| | | | 08/01/2021 | 10,311 | | | | |
| | | | 02/01/2022 | 5,155 | | | | |
| | | | 08/01/2022 | 10,311 | | | | |
| | | | 02/01/2023 | 5,155 | | | | |
| | | | 08/01/2023 | 10,311 | | | | |
| | | | 02/01/2024 | 5,155 | | | | |
| | | | 08/01/2024 | 10,311 | | | | |
| | | | 02/01/2025 | 5,155 | | | | |
| | | | 08/01/2025 | 10,311 | | | | |
| | | | 02/01/2026 | 5,155 | | | | |
| | | | 08/01/2026 | 10,311 | | | | |
| | | | 02/01/2027 | 5,155 | | | | |
| | | | 08/01/2027 | 10,311 | | | | |
| | | | 02/01/2028 | 5,155 | | | | |
| | | | 08/01/2028 | 10,311 | | | | |
| | | | 02/01/2029 | 5,155 | | | | |
| | | | 08/01/2029 | 10,311 | | | | |
| | | | 02/01/2030 | 1,028 | | | | |
| | | | | | 171,154 | | 15,466 | 155,688 |

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2013A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Original | | Interest Rate | Maturities | | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|---------|---------------|------------|--------|------------------|--------|---------------------|------------------|
| Date | Amount | | Date | Amount | | | | |
| 05/21/14 | 515,000 | 5.000% | 08/01/2020 | 25,000 | | | | |
| | | 5.000% | 08/01/2021 | 25,000 | | | | |
| | | 5.000% | 08/01/2023 | 25,000 | | | | |
| | | 5.000% | 08/01/2023 | 25,000 | | | | |
| | | 5.000% | 08/01/2024 | 25,000 | | | | |
| | | 3.000% | 08/01/2025 | 30,000 | | | | |
| | | 3.000% | 08/01/2026 | 30,000 | | | | |
| | | 3.000% | 08/01/2027 | 30,000 | | | | |
| | | 3.000% | 08/01/2028 | 30,000 | | | | |
| | | 3.000% | 08/01/2029 | 30,000 | | | | |
| | | 3.000% | 08/01/2030 | 35,000 | | | | |
| | | 3.000% | 08/01/2031 | 35,000 | | | | |
| | | 3.125% | 08/01/2032 | 35,000 | | | | |
| | | 3.250% | 08/01/2033 | 35,000 | | | | |
| | | | | | 435,000 | 20,000 | 415,000 | |

New Jersey Environmental
Infrastructure Trust - Trust
Loan Series 2014A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Date | Maturities | Amount | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|-----------------|---------------|------------|------------|--------|------------------|--------|---------------------|------------------|
| 05/21/14 | 1,531,327 | 0.060% | 02/01/2020 | | 27,349 | | | | |
| | | | 08/01/2020 | | 54,697 | | | | |
| | | | 02/01/2021 | | 27,349 | | | | |
| | | | 08/01/2021 | | 54,697 | | | | |
| | | | 02/01/2022 | | 27,349 | | | | |
| | | | 08/01/2022 | | 54,697 | | | | |
| | | | 02/01/2023 | | 27,349 | | | | |
| | | | 08/01/2023 | | 54,697 | | | | |
| | | | 02/01/2024 | | 27,349 | | | | |
| | | | 08/01/2024 | | 54,697 | | | | |
| | | | 02/01/2025 | | 27,349 | | | | |
| | | | 08/01/2025 | | 54,697 | | | | |
| | | | 02/01/2026 | | 27,349 | | | | |
| | | | 08/01/2026 | | 54,697 | | | | |
| | | | 02/01/2027 | | 27,349 | | | | |
| | | | 08/01/2027 | | 54,697 | | | | |
| | | | 02/01/2028 | | 27,349 | | | | |
| | | | 08/01/2028 | | 54,697 | | | | |
| | | | 02/01/2029 | | 27,349 | | | | |
| | | | 08/01/2029 | | 54,697 | | | | |
| | | | 02/01/2030 | | 27,349 | | | | |
| | | | 08/01/2030 | | 54,697 | | | | |
| | | | 02/01/2031 | | 27,349 | | | | |
| | | | 08/01/2031 | | 54,697 | | | | |
| | | | 02/01/2032 | | 27,349 | | | | |
| | | | 08/01/2032 | | 16,034 | | | | |
| | | | | | | 1,109,981 | | 92,046 | 1,027,935 |

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2014A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2012

| Date | Original Amount | Interest Rate | Maturities | | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|--------------------|------------------|------------|--------|--------|------------------------|---------------------|
| | | | Date | Amount | | | |
| 05/25/17 | 410,000 | 5.000% | 08/01/2020 | 15,000 | | | |
| | | 5.000% | 08/01/2021 | 15,000 | | | |
| | | 5.000% | 08/01/2022 | 15,000 | | | |
| | | 5.000% | 08/01/2023 | 20,000 | | | |
| | | 5.000% | 08/01/2024 | 20,000 | | | |
| | | 5.000% | 08/01/2025 | 20,000 | | | |
| | | 3.000% | 08/01/2026 | 20,000 | | | |
| | | 3.000% | 08/01/2027 | 20,000 | | | |
| | | 3.000% | 08/01/2028 | 25,000 | | | |
| | | 3.000% | 08/01/2029 | 25,000 | | | |
| | | 3.000% | 08/01/2030 | 25,000 | | | |
| | | 3.000% | 08/01/2031 | 25,000 | | | |
| | | 3.000% | 08/01/2032 | 25,000 | | | |
| | | 3.125% | 08/01/2033 | 25,000 | | | |
| | | 3.250% | 08/01/2034 | 25,000 | | | |
| | | 3.250% | 08/01/2035 | 30,000 | | | |
| | | 3.375% | 08/01/2036 | 30,000 | | | |
| | | | | | | | 388,000 |
| | | | | | | 15,000 | |
| | | | | | | 395,000 | |

New Jersey Environmental
Infrastructure Trust - Trust
Loan Series 2017A-1

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Date | Maturities Amount | Balance | | Redeemed or Retired | Balance 12/31/19 |
|----------|-----------------|---------------|------------|-------------------|-----------|--------|---------------------|------------------|
| | | | | | 01/01/19 | Issued | | |
| 05/25/17 | 1,193,332 | 0.000% | 02/01/2020 | 21,486 | | | | |
| | | | 08/01/2020 | 42,971 | | | | |
| | | | 02/01/2021 | 21,486 | | | | |
| | | | 08/01/2021 | 42,971 | | | | |
| | | | 02/01/2022 | 21,486 | | | | |
| | | | 08/01/2022 | 42,971 | | | | |
| | | | 02/01/2023 | 21,486 | | | | |
| | | | 08/01/2023 | 42,971 | | | | |
| | | | 02/01/2024 | 21,486 | | | | |
| | | | 08/01/2024 | 42,971 | | | | |
| | | | 02/01/2025 | 21,486 | | | | |
| | | | 08/01/2025 | 42,972 | | | | |
| | | | 02/01/2026 | 21,486 | | | | |
| | | | 08/01/2026 | 42,971 | | | | |
| | | | 02/01/2027 | 21,486 | | | | |
| | | | 08/01/2027 | 42,971 | | | | |
| | | | 02/01/2028 | 21,486 | | | | |
| | | | 08/01/2028 | 42,971 | | | | |
| | | | 02/01/2029 | 21,486 | | | | |
| | | | 08/01/2029 | 42,972 | | | | |
| | | | 02/01/2030 | 21,486 | | | | |
| | | | 08/01/2030 | 42,971 | | | | |
| | | | 02/01/2031 | 21,486 | | | | |
| | | | 08/01/2031 | 42,971 | | | | |
| | | | 02/01/2032 | 21,486 | | | | |
| | | | 08/01/2032 | 42,971 | | | | |
| | | | 02/01/2033 | 21,486 | | | | |
| | | | 08/01/2033 | 42,972 | | | | |
| | | | 02/01/2034 | 21,486 | | | | |
| | | | 08/01/2034 | 42,971 | | | | |
| | | | 02/01/2035 | 21,486 | | | | |
| | | | 08/01/2035 | 42,971 | | | | |
| | | | 02/01/2036 | 21,486 | | | | |
| | | | 08/01/2036 | 13,636 | | | | |
| | | | | | 1,130,895 | | 64,458 | 1,066,437 |

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2017A-1

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Leases Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Date | Maturities Amount | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|-----------------|---------------|------------|-------------------|------------------|--------|---------------------|------------------|
| | | | | | | | | |
| 05/21/07 | 1,500,000 | 3.250% | 05/21/2020 | 13,871 | | | | |
| | | | 11/20/2020 | 14,096 | | | | |
| | | | 05/21/2021 | 14,325 | | | | |
| | | | 11/20/2021 | 14,557 | | | | |
| | | | 05/21/2022 | 14,794 | | | | |
| | | | 11/20/2022 | 15,035 | | | | |
| | | | 05/21/2023 | 15,279 | | | | |
| | | | 11/20/2023 | 15,527 | | | | |
| | | | 05/21/2024 | 15,780 | | | | |
| | | | 11/20/2024 | 16,036 | | | | |
| | | | 05/21/2025 | 16,297 | | | | |
| | | | 11/20/2025 | 16,561 | | | | |
| | | | 05/21/2026 | 16,831 | | | | |
| | | | 11/20/2026 | 17,104 | | | | |
| | | | 05/21/2027 | 17,382 | | | | |
| | | | 11/20/2027 | 17,664 | | | | |
| | | | 05/21/2028 | 17,952 | | | | |
| | | | 11/20/2028 | 18,243 | | | | |
| | | | 05/21/2029 | 18,540 | | | | |
| | | | 11/20/2029 | 18,841 | | | | |
| | | | 05/21/2030 | 19,147 | | | | |
| | | | 11/20/2030 | 19,458 | | | | |

United States Department
of Agriculture Rural
Development Loan (LN-01)

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Date | Maturities Amount | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|--------------------|------------------|------------|----------------------|---------------------|--------|------------------------|---------------------|
| | | | | | | | | |
| 05/21/07 | 1,500,000 | 3.250% | 05/21/2031 | 19,775 | | | | |
| | | | 11/20/2031 | 20,096 | | | | |
| | | | 05/21/2032 | 20,422 | | | | |
| | | | 11/20/2032 | 20,754 | | | | |
| | | | 05/21/2033 | 21,092 | | | | |
| | | | 11/20/2033 | 21,434 | | | | |
| | | | 05/21/2034 | 21,783 | | | | |
| | | | 11/20/2034 | 22,137 | | | | |
| | | | 05/21/2035 | 22,496 | | | | |
| | | | 11/20/2035 | 22,862 | | | | |
| | | | 05/21/2036 | 23,233 | | | | |
| | | | 11/20/2036 | 23,611 | | | | |
| | | | 05/21/2037 | 23,995 | | | | |
| | | | 11/20/2037 | 24,384 | | | | |
| | | | 05/21/2038 | 24,781 | | | | |
| | | | 11/20/2038 | 25,183 | | | | |
| | | | 05/21/2039 | 25,593 | | | | |
| | | | 11/20/2039 | 26,009 | | | | |
| | | | 05/21/2040 | 26,431 | | | | |
| | | | 11/20/2040 | 26,861 | | | | |
| | | | 05/21/2041 | 27,297 | | | | |
| | | | 11/20/2041 | 27,741 | | | | |
| | | | 05/21/2042 | 28,192 | | | | |
| | | | 11/20/2042 | 28,650 | | | | |
| | | | 05/21/2043 | 29,115 | | | | |
| | | | 11/20/2043 | 29,588 | | | | |
| | | | 05/21/2044 | 30,069 | | | | |
| | | | 11/20/2044 | 30,558 | | | | |
| | | | 05/21/2045 | 31,054 | | | | |
| | | | 11/20/2045 | 31,559 | | | | |
| | | | 05/21/2046 | 32,072 | | | | |
| | | | 11/20/2046 | 32,593 | | | | |
| | | | 05/21/2047 | 32,150 | | | | |
| | | | | | 1,243,969 | | 27,079 | 1,216,890 |

United States Department
of Agriculture Rural
Development Loan (LN-01)
(Cont'd)

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Date | Maturities Amount | Balance 01/01/19 | Issued | Redeemed or Retired | Balance 12/31/19 |
|----------|--------------------|------------------|------------|----------------------|---------------------|--------|------------------------|---------------------|
| | | | | | | | | |
| 03/29/16 | 1,550,000 | 4.125% | 03/29/2020 | 11,574 | | | | |
| | | | 09/29/2020 | 11,812 | | | | |
| | | | 03/29/2021 | 12,055 | | | | |
| | | | 09/29/2021 | 12,303 | | | | |
| | | | 03/29/2022 | 12,556 | | | | |
| | | | 09/29/2022 | 12,814 | | | | |
| | | | 03/29/2023 | 13,077 | | | | |
| | | | 09/29/2023 | 13,346 | | | | |
| | | | 03/29/2024 | 13,621 | | | | |
| | | | 09/29/2024 | 13,901 | | | | |
| | | | 03/29/2025 | 14,187 | | | | |
| | | | 09/29/2025 | 14,479 | | | | |
| | | | 03/29/2026 | 14,777 | | | | |
| | | | 09/29/2026 | 15,081 | | | | |
| | | | 03/29/2027 | 15,391 | | | | |
| | | | 09/29/2027 | 15,707 | | | | |
| | | | 03/29/2028 | 16,030 | | | | |
| | | | 09/29/2028 | 16,360 | | | | |
| | | | 03/29/2029 | 16,697 | | | | |
| | | | 09/29/2029 | 17,040 | | | | |
| | | | 03/29/2030 | 17,391 | | | | |
| | | | 09/29/2030 | 17,748 | | | | |

United States Department
of Agriculture Rural
Development Loan (LN-03)

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2019

| Date | Original Amount | Interest Rate | Date | Maturities | Amount | Balance | | Replaced or Retired | Balance |
|----------------------------|-----------------|---------------|------------|------------|--------|-----------|----------|---------------------|-----------|
| | | | | | | 01/01/19 | 12/31/19 | | |
| 03/29/10 | 1,550,000 | 4.125% | 03/29/2031 | | 18,113 | | | | |
| | | | 09/29/2031 | | 18,486 | | | | |
| | | | 03/29/2032 | | 18,866 | | | | |
| | | | 09/29/2032 | | 19,254 | | | | |
| | | | 03/29/2033 | | 19,650 | | | | |
| | | | 09/29/2033 | | 20,054 | | | | |
| | | | 03/29/2034 | | 20,467 | | | | |
| | | | 09/29/2034 | | 20,888 | | | | |
| | | | 03/29/2035 | | 21,317 | | | | |
| | | | 09/29/2035 | | 21,756 | | | | |
| | | | 03/29/2036 | | 22,203 | | | | |
| | | | 09/29/2036 | | 22,660 | | | | |
| | | | 03/29/2037 | | 23,126 | | | | |
| | | | 09/29/2037 | | 23,602 | | | | |
| | | | 03/29/2038 | | 24,087 | | | | |
| | | | 09/29/2038 | | 24,583 | | | | |
| | | | 03/29/2039 | | 25,088 | | | | |
| | | | 09/29/2039 | | 25,604 | | | | |
| | | | 03/29/2040 | | 26,131 | | | | |
| | | | 09/29/2040 | | 26,669 | | | | |
| | | | 03/29/2041 | | 27,217 | | | | |
| | | | 09/29/2041 | | 27,777 | | | | |
| | | | 03/29/2042 | | 28,348 | | | | |
| | | | 09/29/2042 | | 28,931 | | | | |
| | | | 03/29/2043 | | 29,526 | | | | |
| | | | 09/29/2043 | | 30,134 | | | | |
| | | | 03/29/2044 | | 30,753 | | | | |
| | | | 09/29/2044 | | 31,386 | | | | |
| | | | 03/29/2045 | | 32,032 | | | | |
| | | | 09/29/2045 | | 32,690 | | | | |
| | | | 03/29/2046 | | 33,363 | | | | |
| | | | 09/29/2046 | | 34,049 | | | | |
| | | | 03/29/2047 | | 34,749 | | | | |
| | | | 09/29/2047 | | 35,464 | | | | |
| | | | 03/29/2048 | | 36,193 | | | | |
| | | | 09/29/2048 | | 36,938 | | | | |
| | | | 03/29/2049 | | 37,698 | | | | |
| | | | 09/29/2049 | | 38,473 | | | | |
| | | | 03/29/2050 | | 39,269 | | | | |
| Grand Totals | | | | | | 1,391,943 | 22,452 | 396,532 | 1,369,491 |
| Current Portion | | | | | | 7,030,708 | | 6,634,176 | 6,634,176 |
| Non-Current Portion | | | | | | 396,532 | | 408,353 | 408,353 |
| | | | | | | 6,634,176 | | 6,225,823 | 6,225,823 |
| | | | | | | 7,030,708 | | 6,634,176 | 6,634,176 |

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THE MANCHESTER UTILITIES AUTHORITY

(A Component Unit of the Borough of Haledon)

Roster of Officials

December 31, 2019

Commissioners

Victor D'Ambrosio

James Van Sickle

Dewan Chowdhury

Geraldine Flach-Sybesma

Carlos Moczo

Authority Consultant

ARCADIS

General Counsel

Fronzuto Law Group

Bond Counsel

Hawkins, Delafield & Wood, LLP

Authority Auditor

Wielkocz & Company

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WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900

NEWTON OFFICE
100B MAIN STREET
NEWTON, NEW JERSEY 07860
(973)-835-7900

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

Honorable Chairman and Commissioners
of the Manchester Utilities Authority
Haledon, NJ 07508

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 Manchester Utilities Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Manchester 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 Manchester Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Manchester Utilities Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Honorable Chairman and Members of the
Manchester Utilities Authority
Page 2.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manchester Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Wielkatz & Company, LLC

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

June 11, 2020

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, 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." If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective July 1, 2015, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$40,000.

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 MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**COMMENTS AND RECOMMENDATIONS
(CONTINUED)**

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Authority's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

Our review of the Authority's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**COMMENTS AND RECOMMENDATIONS
(CONTINUED)**

COMMENTS

None

RECOMMENDATIONS

None

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**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

No findings or recommendations were reported in the prior year.

APPRECIATION

We want to express our appreciation for the assistance and courtesies rendered by Authority Officials during the course of the audit.

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